VICTORY CITY
INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司

Stock Code 股份代號: 539

2010 年度報告
Annual Report

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive

Li Ming Hung *(Chairman)*
Chen Tien Tui *(Chief Executive Officer)*
Lee Yuen Chiu, Andy
Choi Lin Hung

Independent Non-executive

Kan Ka Hon
Phaisalakani Vichai (Andy Hung)
Kwok Sze Chi

Company Secretary

Lee Chung Shing

Legal Advisers as to Hong Kong Law

Chiu & Partners

Auditor

Deloitte Touche Tohmatsu

Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
CITIC Bank International Limited
China Construction Bank (Jiangmen Xinhui Sub-branch)
Industrial and Commercial Bank of China Limited (Jiangmen Xinhui Sub-branch)
Bank of China (Jiangmen Xinhui Sub-branch)
China Merchants Bank (Shenzhen Longgang Sub-branch)
Agricultural Bank of China (Jiangmen Xinhui Sub-branch)
Bank of America, N.A.
Mizuho Corporate Bank, Ltd
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
United Overseas Bank Limited
Rabobank International
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Australia & New Zealand Banking Group Ltd
Scotiabank (Hong Kong) Limited

Principal Share Registrars

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

Branch Share Registrars in Hong Kong

Tricor Secretaries Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

Company Website

www.victorycity.com.hk

FINANCIAL HIGHLIGHTS AND SUMMARY

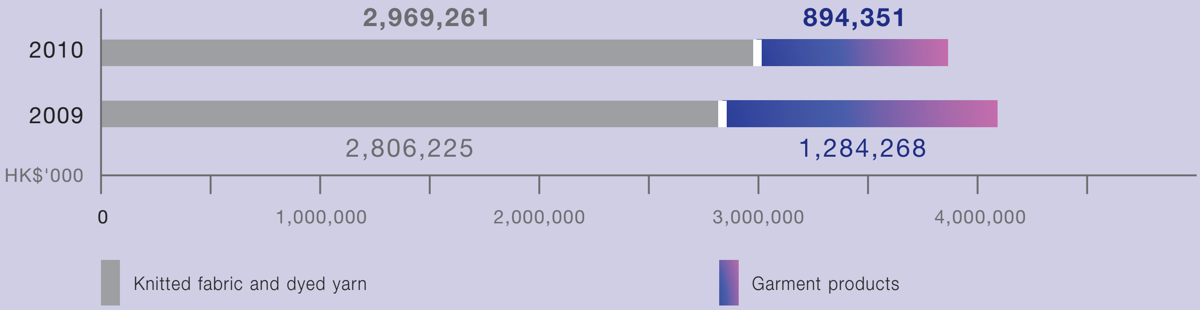
RESULTS

	Year ended 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Revenue	2,833,111	3,892,044	4,104,773	4,090,493	**3,863,612**
Profit before tax	301,659	370,757	387,873	258,032	**369,901**
Income tax expense	(27,941)	(25,967)	(18,519)	(17,120)	**(32,325)**
Profit for the year	273,718	344,790	369,354	240,912	**337,576**
Attributable to:					
Owners of the Company	250,269	305,501	341,788	216,865	**314,627**
Minority interests	23,449	39,289	27,566	24,047	**22,949**
	273,718	344,790	369,354	240,912	**337,576**
Distributions	75,947	91,951	99,375	–	**21,210**

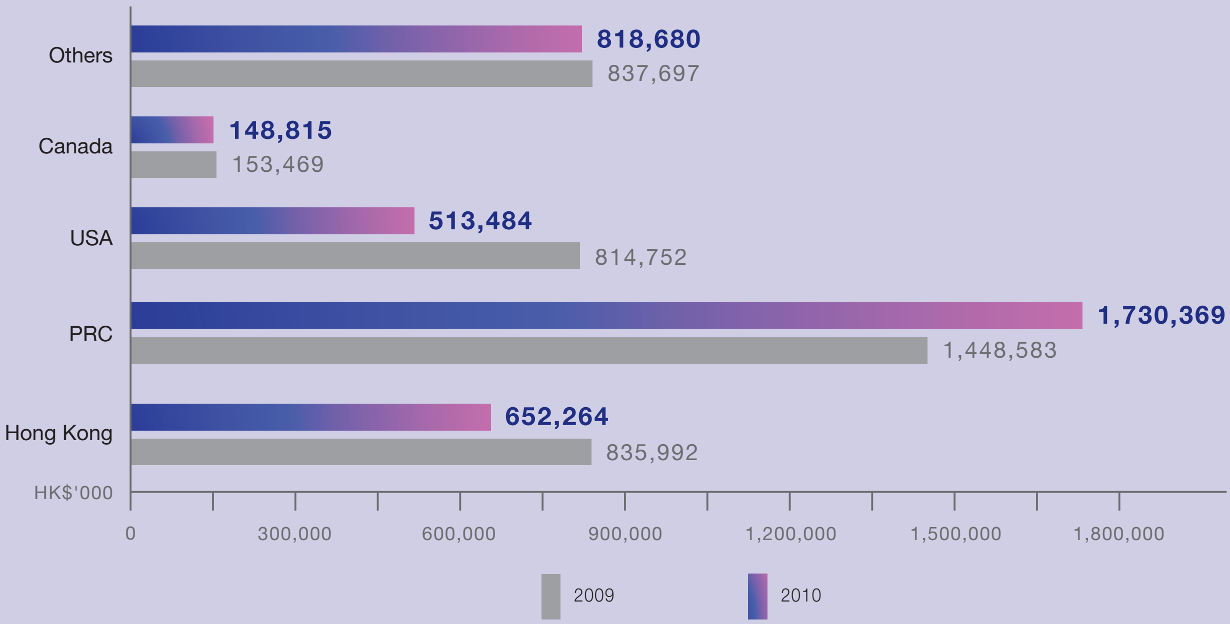
ASSETS AND LIABILITIES

	At 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	3,638,188	4,655,392	5,608,436	5,396,052	**5,704,997**
Total liabilities	(2,035,501)	(2,642,602)	(3,099,371)	(2,523,838)	**(2,484,945)**
	1,602,687	2,012,790	2,509,065	2,872,214	**3,220,052**
Equity attributable to:					
Owners of the Company	1,547,162	1,922,412	2,391,639	2,729,883	**3,077,840**
Minority interests	55,525	90,378	117,426	142,331	**142,212**
	1,602,687	2,012,790	2,509,065	2,872,214	**3,220,052**

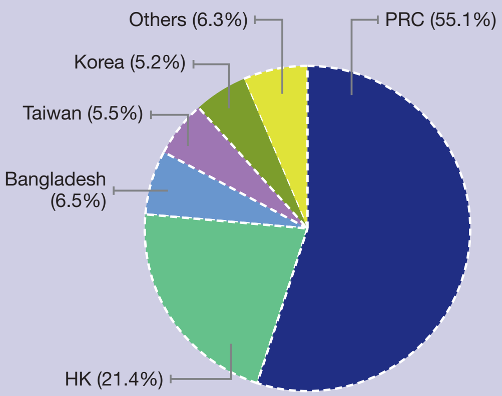
Revenue by Business Segments



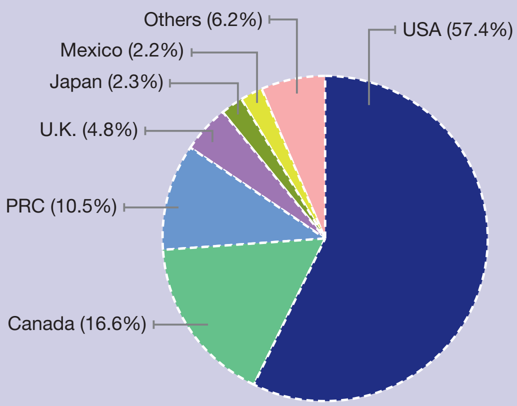
Revenue by Geographical Segments



Knitted fabric and dyed yarn



Garment products



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Directors") of Victory City International Holdings Limited (the "Company") and its subsidiary companies (the "Group"), it gives me great pleasure to present our encouraging results of the year ended 31 March 2010, being another year of great success.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK4.0 cents per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31 March 2010 to shareholders whose names appear on the register of members of the Company on 30 August 2010 and also to recommend the offer to the shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (the "Scrip Dividend Scheme"), subject to the approval of the shareholders on the payment of final dividend at the annual general meeting of the Company and the granting by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of, and permission to deal in, the Shares to be issued pursuant thereto.

... not only enable us becoming more cost competitive, but also strengthening our leadership in the industry.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31 March 2010.

On condition that the payment of the above final dividend is approved by the shareholders at the annual general meeting of the Company, a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders of the Company shortly after the annual general meeting of the Company.

BUSINESS REVIEW

The financial year under review was a challenging year for the overall textile and garment industry as the gloomy economic conditions preceded by the global financial crisis continued to bring difficulties to the operating environment. The economy has shown signs of recovery since mid-2009 with customer orders becoming more stable however; the future business outlook remains tough and volatile due to the recent upsurge of raw material costs, labour costs and overheads coupled with stringent environmental protection measures and possible appreciation of the Renminbi ("RMB"). In spite of the market difficulties, the Group has already anticipated and identified all these risks and has formulated business strategies in advance to mitigate any adverse impacts of these risks and managed to persevere and attain satisfactory results through the dedicated efforts of our management and staff.

For the year ended 31 March 2010, the Group's consolidated revenue dropped by 5.5% to HK$3,864 million and profit attributable to owners of the Company is HK$315 million, signifying an increase of 45.1% as compared with the previous financial year. Basic earnings per share is HK30.4 cents for the financial year under review (2009: HK29.7 cents).

During the financial year under review, rising raw material, labour costs and RMB appreciation has asserted the most significant pressure on the well-being of the industry as the phenomenon vigorously squeezed profit margins of small and medium sized enterprises which are incapable of meeting the sudden increase of financial responsibility. Therefore, the Group focused on sustaining business growth by implementing appropriate strategies to offset the sudden predicaments.

Unlike our textile business whereby rising labour costs has a very minimal effect, rising wages did assert pressure on our garment business and as a result, we reallocated our production orders to overseas as well as inner county factories in the People's Republic of China (the "PRC") and plan to expand our future garment facilities to offshore countries and inner PRC counties with ample labour supply and less expensive wages. Furthermore, with our design capability, our customers are willing to absorb most, if not all, of our labour costs increases.

We also expect industry consolidation to accelerate with stringent environmental requirements as the PRC government becomes more concerned about environmental preservation. The Group is able to leverage on this unique competitive advantage as we are one of the only few companies in the PRC who actively comply with the country's rigid environmental protection policies. Three years ago, the Group has spent approximately RMB300 million to build a waste water recycle and treatment plant that boasts quality assurance exceeding the PRC standards. The facility will assist the Group in lowering operating costs as well as lengthening machinery lifespan. These will not only enable us becoming more cost competitive, but also strengthening our leadership in the industry.

Moreover, we also managed to mitigate the RMB appreciation risk as our textile division has maintained a well balanced client portfolio between export and domestic PRC markets thereby creating a natural hedge against the risks of currency exposure. In addition, outsourcing of our garment function allows most of the exchange risks to be passed onto subcontractors.

Textile Business

Production and sales of knitted fabric and dyed yarn remained as the principal operation of the Group and accounted for 76.9% of the consolidated revenue. Despite the volatile market conditions, revenue of this business segment reached HK$2,969 million, exhibiting a 5.8% growth as compared with the previous year results. During the financial year under review, industry participants still faced with strong competition and challenging operating environment, triggering faster industry consolidation. Although raw material costs have increased, since late 2009, the Group has maintained a well-stocked inventory by proactively purchasing cotton yarn to offset rising raw material costs. In addition, the Group was able to leverage strong bargaining power to pass the increased costs to our customers by raising our overall selling prices. Furthermore, the Group exercised stringent cost measurements as well as enhanced the production efficiency through technological innovations thereby improving profit margins for the textile segment. By leveraging our strong foundations and core competencies, the Group was able to increase market share in both export and domestic markets of the PRC. With a well balanced focus on the PRC market, the Group can successfully neutralize any negative impacts caused by the RMB appreciation.

Garment Business

Revenue of the garment segment dropped by 30.4% to HK$894 million, accounted for 23.1% of the consolidated revenue. During the year under review, the trading environment of the garment industry remained competitive and customers were very cautious in placing orders. Hence the drop in revenue was mainly attributable to the decrease in orders from one of our major customers which is a United States of America (the "USA") importer due to the sluggish USA market, whereas orders from other customers maintained as compared with the previous year. The Directors are confident that the garment business will revive in the USA market gradually recovering together with further developments in the PRC and Japanese markets. Nevertheless, the management exercised tight cost controls as well as efficient order scheduling and production planning which resulted in the increase of profit margins of this business segment.

Major Achievements

In December 2009, the Group successfully secured a four-year syndicated loan of HK$928 million from 14 banks, bearing a competitive interest margin of Hong Kong Interbank Offered Rate ("HIBOR") plus 1.8% per annum. The new loan arrangement represented a vote of confidence by the banking community in the future direction and development of the Group. The proceeds of the loan facility had been used to refinance the HK$1,388 million syndicated loan raised in February 2007. With the loan in place, we are confident of meeting our business objectives and effectively planning for our future.

Despite all the significant challenges and difficult economic environment, the Group managed to strengthen its market position amidst keen competition. Our management and staff have met and exceeded demanding expectations in a tough market and the Group's performance in the past year had shown how their hard work and commitment to quality services helped the Group overcome negative factors and contributed to another year of success.

OUTLOOK

Going forward, it is anticipated that the prevailing market conditions will remain difficult and volatile. Challenges as well as opportunities will arise from the expedited consolidation of the textile and garment supply chain hence we strongly believe that with our solid foundation, vertically-integrated set-up together with the environmental-conscious facilities, the Group is well-equipped to enhance its competitive edges to meet the new challenges and grab the business opportunities.

On 3 June 2010, the Company announced that it had submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange in relation to the proposed separate listing of the shares of Ford Glory Group Holdings Limited ("FGG") on the Main Board of the Stock Exchange. The group of FGG (the "FG Group") comprises certain existing subsidiaries of the Company which are principally engaged in sourcing management, manufacturing and trading of garment products. The Directors believe that the separate listing of the garment segment will be beneficial to the shareholders as the Company will be able to realize the value of its investments in the FG Group by way of liquid securities. In addition, the proposed spin-off is expected to improve the operational and financial transparency of the FG Group and provide separate fund raising platforms for the Group and the FG Group with respect to their respective operations and future expansion. Details of the proposed spin-off are set out in the announcement of the Company dated 3 June 2010. Further announcement(s) will be made by the Company in relation to the proposed spin-off as and when appropriate.

While the year ahead will remain highly competitive, the management will continue to dedicate all its effort to achieve our corporate vision of being a worldwide premium supplier of choice for textile and garment products. The Group will continue to enhance our business model to create the best platform for the future growth of our core business as well as to capitalize on all value-enhancing opportunities. Together with strong support from our business partners, the Group is well-positioned to face all challenges ahead and to bring the most satisfactory returns to the shareholders of the Company.

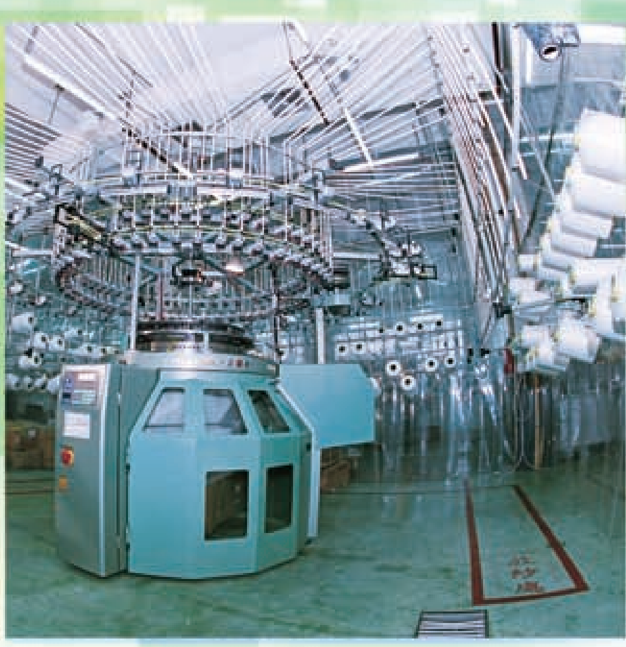
APPRECIATION

Finally, on behalf of the Board, I would like to extend my gratitude to the management and staff for their commitment and contribution to the Group. We treasure our employees as a valuable asset and driving force in the years to come. Without their dedicated efforts, we cannot achieve such a great success in the year under review. I would also like to express my sincere thanks to our customers, suppliers, bankers, business partners and shareholders for their constant and continuous support.

Li Ming Hung
Chairman

Hong Kong
15 July 2010

MANAGEMENT
DISCUSSION & ANALYSIS



FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2010 decreased by 5.5% to HK$3,864 million. Revenue of production and sale of knitted fabric and dyed yarn increased by 5.8% to HK$2,969 million, representing 76.9% of the consolidated revenue whereas revenue of garment sourcing, manufacturing and exporting business was HK$894 million, dropped by 30.4% as compared with last year and representing 23.1% of the consolidated revenue.

... reflecting the effort of the management in exercising stringent cost measurements.

Although raw material costs have increased since the second half of the financial year, the Group has maintained a well-stocked inventory by proactively purchasing cotton yarn to offset the rising costs. In addition, the Group was able to pass the increased costs and overheads to our customers by raising our selling prices. Together with enhanced utilization rate of our production facilities, profit margins were increased during the financial year under review. Gross profit margin for the Group was 18.6% as compared with 16.2% of the previous year whereas net profit margin surged from 5.3% to 8.1%, reflecting the effort of the management in exercising stringent cost measurements.

Other gains and losses mainly composed of the fair value changes of derivative financial instruments. For the year ended 31 March 2010, there was a gain of HK$27 million whereas there was a loss of HK$35 million for the previous year.

Distribution and selling costs decreased by 19.4% whereas administration expenses slightly increased by 1.7% as compared with previous year. The Group maintained an efficient cost structure and will continue to manage its cost in a proactive manner.

Finance costs decreased from HK$60.6 million in 2009 to HK$47.7 million in 2010, mainly due to the prevailing low interest rates. The Group has tried its best endeavour in obtaining favourable banking facilities with its bankers so as to reduce its finance costs.

Liquidity and Financial Resources

As at 31 March 2010, the Group had total assets of HK$5,704,997,000 (2009: HK$5,396,052,000) which were financed by current liabilities of HK$1,458,632,000 (2009: HK$1,662,841,000), long term liabilities of HK$1,026,313,000 (2009: HK$860,997,000) and shareholders' equity of HK$3,077,840,000 (2009: HK$2,729,883,000). The current ratio was approximately 2.3 (2009: 1.7) and the gearing ratio, being the ratio of total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders funds was 35% (2009: 44%). All of the Group's borrowings were at floating rate basis.

The Group services its debts primarily through cash earned from its operations. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion. Should other opportunities arise requiring additional funding, the Directors believe that the Group is in a good position to obtain financing on favourable terms.

Foreign Exchange and Interest Rate Risks

The Group continued to adopt a strict and prudent policy in managing its interest rate and currency exchange risks. The major interest-bearing bank borrowings of the Group were HIBOR based Hong Kong dollar borrowings with maturity due within five years. To reduce the interest rate risks, the Group had entered into derivative financial instrument contracts with international banks.

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, RMB and US dollars. The fluctuations in the US dollars and RMB have always been the concern of the Group. In order to mitigate the foreign currency risk, the Group had entered into appropriate hedging arrangements in accordance with the Group's risk management policies.

Capital Expenditure

During the year, the Group invested approximately HK$69 million on additions to property, plant and equipment.

As at 31 March 2010, the Group had capital commitments of approximately HK$42 million in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

Charges on Assets

As at 31 March 2010, certain property, plant and equipment and prepaid lease payments of the Group with net book value of approximately HK$75 million (2009: HK$91 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2010, total number of employees of the Group were approximately 160 in Hong Kong and Macau (2009: 205), approximately 5 (2009: 4) in the USA and Canada, approximately 1,065 in Indonesia (2009: 1,050) and approximately 6,200 in the PRC (2009: 6,830). Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management an appropriate incentive interest for the growth of the Group.

FGG had conditionally adopted a share option scheme (the "FGG Share Option Scheme") and conditionally granted share options to a number of employees of the FG Group. The FGG Share Option Scheme and the grant of share options will be conditional upon, among others, the obtaining of the approval of the shareholders of the Company and the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the shares of FGG which may be issued pursuant to the grant of options under the FGG Share Option Scheme; and will become effective on the commencement of dealings in the shares of FGG on the Main Board of the Stock Exchange. Further details of the FGG Share Option Scheme were disclosed in the announcement of the Company dated 3 June 2010 and the circular of the Company dated 7 July 2010.

Major Customers and Suppliers

In the year under review, sales to the five largest customers accounted for 16.5% of the total revenue for the year and sales to the largest customer included therein accounted for 5.5%.

Purchase from the five largest suppliers accounted for 22.0% of the total purchases for the year and purchase from the largest supplier included therein accounted for 10.6%.

None of the Directors, their respective associates (as defined in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or shareholders of the Company who own more than five percent of the issued share capital of the Company has any interest in the Group's five largest customers during the year under review.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Executive Directors

Mr. Li Ming Hung, aged 59, is the Chairman of the Company and a co-founder of the Group. He has over 33 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group.

Mr. Chen Tien Tui, aged 61, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 31 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group.

Mr. Lee Yuen Chiu, Andy, aged 45, is an Executive Director of the Company. He has over 24 years experience in the textile industry and is responsible for the overall management of the sales and production of the Group. Mr. Lee joined the Group in 1997.

Mr. Choi Lin Hung, aged 48, is an Executive Director of the Company. He holds a Master in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr. Choi has over 9 years banking experience and 6 years management experience in garment and textile industry.

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 59, graduated from The University of Hong Kong and is a qualified accountant. He is a Non-executive Director of Easyknit Enterprises Holdings Limited, which is a company listed on the Stock Exchange. Mr. Kan has extensive experience in corporate finance, treasury and accounting and has over 30 years experience at management level in listed companies. Mr. Kan joined the Group in 1996.

Mr. Phaisalakani Vichai (Andy Hung), aged 62, is the Executive Director and Chief Financial Officer of Willas-Array Electronics (Holdings) Limited, a company listed on the Singapore Exchange Limited. He graduated from Minnesota State University at Mankato, USA and is a chartered accountant in Canada. He has worked for an international accounting firm for 11 years and has extensive experience in finance and corporate management with major electronics and garments corporations. Mr. Hung joined the Group in 1996.

Mr. Kwok Sze Chi, aged 55, currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers and the deputy chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators. Having served the securities industry for over 30 years, Mr Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr Kwok has been invited to appear on television and radio programmes to explain market trends and analyze stock market developments. He also provides professional investment analyses in newspapers and investment websites. Mr. Kwok joined the Group in 2006.

Senior Management

Mr. Lee Chung Shing, aged 43, is the Financial Controller and Company Secretary of the Group. He 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 the Group in 1998 and has over 21 years experience in the accounting and finance sector including an international accounting firm and a company listed on the Stock Exchange.

Mr. Ng Tsze Lun, aged 55, is the Marketing Director of Ford Glory International Limited. Mr. Ng joined the Group in 2001 and has over 34 years experience in garment manufacturing and sourcing areas, he is responsible for overseeing the daily operation and marketing of the garment segment.

Mr. Wong Bing Koi, aged 55, is the General Manager of Xinhui Victory City Co., Ltd. He has over 35 years experience in the textile industry and is responsible for the overall management of the Xinhui factory. Mr. Wong joined the Group in 1992.

Mr. Wong Kam Hoi, aged 55, is the head of sales and marketing of the Group. He has over 27 years experience in the textile industry and is responsible for the sales and marketing function of the Group. Mr. Wong joined the Group in 1986.

Mr. Sy Wing Shuen, aged 56, is the Sales Manager of the Group. He has over 35 years experience in the textile industry and is responsible for the sales and marketing function of the Group. Mr. Sy joined the Group in 1999.

Ms. Chan Shuk Fun, aged 44, is the Assistant General Manager of Ford Glory International Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants since 1993. Prior to joining the Group in 2001, Ms. Chan has over 13 years experience in the accounting, finance and general management functions.

Mr. Chan Ling Kai, aged 37, is the General Manager of Champion Forturne Asia Limited. Mr. Chan joined the Group in 2003 and is responsible for the sales and marketing function of the yarn dyeing segment. Mr. Chan is the son of Mr. Chen Tien Tui, the Chief Executive Officer of the Company.

Mr. Lau Fat Chuen, aged 54, is the General Manager of Jiangmen V-Apparel Co., Ltd. Mr. Lau joined the Group in 2005 and has over 34 years experience in garment manufacturing area. He is responsible for overseeing the overall management of the PRC garment factory.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2010.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. The principal activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

Results and Appropriation

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 30. The directors recommend the payment of a final dividend of HK4.0 cents per share, in cash with a scrip dividend option to the shareholders whose names appear on the register of members on 30 August 2010 amounting to approximately HK$42,564,000. Details of the dividends for the year are set out in note 13 to the consolidated financial statements.

Closure of Register of Members

In order to determine the entitlement to the final dividend for the year ended 31 March 2010, the register of members of the Company will be closed from Thursday, 26 August 2010 to Monday, 30 August 2010 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the final dividend for the year ended 31 March 2010, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 25 August 2010.

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$68,936,000 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

The Company's reserves available for distribution to shareholders as at 31 March 2010, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$455,187,000.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

Directors and Service Contracts

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

Executive Directors:

Mr. Li Ming Hung *(Chairman)*
Mr. Chen Tien Tui *(Chief Executive Officer)*
Mr. Lee Yuen Chiu, Andy
Mr. Choi Lin Hung

Independent Non-executive Directors:

Mr. Kan Ka Hon
Mr. Phaisalakani Vichai (Andy Hung)
Mr. Kwok Sze Chi

In accordance with Clause 87(1) of the Company's Bye-laws, Mr. Lee Yuen Chiu, Andy, Mr. Phaisalakani Vichai (Andy Hung) and Mr. Kwok Sze Chi will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other Directors continue in office.

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

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

Directors' Interests in Contracts of Significance

Save as disclosed in the paragraph headed "Connected Transactions" in this report and note 33 to the consolidated financial statements, no contracts of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Competing Business Interests of Directors

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

Connected Transactions

Details of the connected transaction during the year are set out in note 33 to the consolidated financial statements.

Pursuant to Rule 14A.38 of the Listing Rules, the board of Directors (the "Board") engaged the auditor of the Company to perform certain agreed upon procedures in respect of its continuing connected transactions (as defined in the Listing Rules) as announced by the Company in its announcement dated 12 September 2007 and 27 October 2008 to assist the Directors to evaluate whether the transactions:

a. received approval of the Board;

b. were entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties;

c. were entered into in accordance with the terms of the relevant agreement governing such transactions; and

d. exceeded the relevant cap amounts for the year ended 31 March 2010 as set out in the circular of the Company dated 4 October 2007 and 14 November 2008.

The auditor of the Company has performed procedures in respect of these transactions in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information".

The auditor has reported the factual findings on these procedures to the Board. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions were entered into by the Group:

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

b. either on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and

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

Independent Non-executive Directors' Confirmation of Independence

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 independent.

Directors' and Chief Executive's Interest in Shares and Underlying Shares

As at 31 March 2010, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	**The Company/ name of associated corporation**	**Capacity**	**Interest in shares** (note 1)	**Interest in underlying shares of share options** (note 1)	**Approximate% of the relevant class of issued share capital of the Company/ associated corporation**
Li Ming Hung	The Company	Founder of a trust	168,456,000 ordinary shares of HK$0.01 each of the Company ("Shares") (L) (note 2)	–	15.83% (note 17)
	The Company	Beneficial owner	13,868,000 Shares (L)	–	1.30%
	The Company	Beneficial owner	–	1,599,737 Shares (L) (note 4)	0.15%
	Victory City Company Limited (note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited (note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (note 1)	Interest in underlying shares of share options (note 1)	Approximate% of the relevant class of issued share capital of the Company/ associated corporation
Chen Tien Tui	The Company	Founder of a trust	168,456,000 Shares (L) (note 3)	–	15.83% (note 17)
	The Company	Beneficial owner	15,555,000 Shares (L)	–	1.46%
	The Company	Beneficial owner	–	1,599,737 Shares (L) (note 4)	0.15%
	Victory City Company Limited (note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited (note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
Choi Lin Hung	The Company	Beneficial owner	7,980,000 Shares (L)	–	0.75%
	The Company	Beneficial owner	–	9,598,419 Shares (L) (note 5)	0.90%
	Victory City Overseas Limited (note 15)	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.2%
	Ford Glory Holdings Limited (note 15)	Interest of controlled corporation	49 shares of US$1.00 each (L) (note 6)	–	49%
	Brilliant Fashion Inc. (note 15)	Interest of controlled corporation	100 common shares of no par value (L) (note 12)	–	100%
	CSG Apparel Inc. (note 15)	Interest of controlled corporation	One common stock of CAD1.00 (L) (note 7)	–	100%
	Ford Glory International Limited (note 15)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (note 13)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (note 1)	Interest in underlying shares of share options (note 1)	Approximate% of the relevant class of issued share capital of the Company/ associated corporation
Choi Lin Hung	Glory Time Limited (note 16)	Interest of controlled corporation	70 ordinary shares of HK$1.00 each (L) (note 11)	–	70%
	Mayer Apparel Limited (note 16)	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) (note 10)	–	51%
	PT. Victory Apparel Semarang (note 15)	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) (note 9)	–	100%
	Surefaith Limited (note 15)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (note 13)	–	100%
	Top Star Limited (note 15)	Interest of controlled corporation	2 ordinary shares of HK$1.00 each (L) (note 13)	–	100%
	Top Value Inc. (note 15)	Interest of controlled corporation	200 common shares of no par value (L) (note 12)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (note 15)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (note 14)	–	100%
	Victory Apparel (Jordan) Manufacturing Company Ltd (note 15)	Interest of controlled corporation	50,000 ordinary shares of JD$1.00 each (L) (note 8)	–	100%
	Wealth Choice Limited (note 15)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (note 13)	–	100%
	福之源貿易(上海)有限公司 (note 15)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (note 7)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (note 1)	Interest in underlying shares of share options (note 1)	Approximate% of the relevant class of issued share capital of the Company/ associated corporation
Choi Lin Hung	福源創業信息諮詢服務(深圳)有限公司 (note 15)	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) (note 7)	–	100%
	Gojifashion Inc. (note 16)	Interest of controlled corporation	100 common shares of no par value (L) (note 12)	–	50%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,598,419 Shares (L) (note 5)	0.90%
Phaisalakani Vichai	The Company	Beneficial owner	300,000 Shares (L)	–	0.03%

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporations.

2. These Shares 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.

3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.

4. On 9 October 2003, each of Messrs. Li Ming Hung and Chen Tien Tui were granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK$3.04 per share during a period from 9 October 2004 to 29 November 2011. As a result of rights issue completed on 16 January 2009, the number of share options and exercise price were adjusted.

   On 7 June 2004, Messrs. Li Ming Hung and Chen Tien Tui were granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares and 1,000,000 Shares respectively, exercisable at a price of HK$3.15 per Share during a period from 7 June 2004 to 29 November 2011. As a result of rights issue completed on 16 January 2009, the number of share options and exercise price were adjusted.

5. On 23 May 2003, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted 1,500,000 and 1,500,000 options respectively under the share option scheme of the Company to subscribe for 1,500,000 Shares and 1,500,000 Shares respectively, exercisable at a price of HK$2.35 per Share during a period from 27 May 2003 to 29 November 2011. As a result of rights issue completed on 16 January 2009, the number of share options and exercise price were adjusted.

   On 9 October 2003, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted options under the share option scheme of the Company to subscribe for 3,500,000 Shares and 3,500,000 Shares, respectively, exercisable at a price of HK$3.04 per share during a period from 9 October 2004 to 29 November 2011. As a result of rights issue completed on 16 January 2009, the number of share options and exercise price were adjusted.

   On 7 June 2004, Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK$3.15 per Share during a period from 7 June 2004 to 29 November 2011. As a result of rights issue completed on 16 January 2009, the number of share options and exercise price were adjusted.

6. These shares, representing 49% of the issued share capital of Ford Glory Holdings Limited, were held by Merlotte Enterprise Limited which is wholly owned by Mr. Choi Lin Hung.

7. This common stock or, as the case may be, registered capital was beneficially owned by Ford Glory International Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

8. These shares was beneficially owned by Wealth Choice Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

9. These shares was beneficially owned by Surefaith Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

10. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.

11. Glory Time Limited is 70% owned by Ford Glory Holdings Limited.

12. These common stocks were beneficially owned by Ford Glory Holdings Limited.

13. These shares were beneficially owned by Ford Glory Holdings Limited.

14. This quota capital was beneficially owned by Ford Glory Holdings Limited.

15. These companies are subsidiaries of the Company.

16. These companies are an associated corporations (within the meaning of Part XV of the SFO) of the Company.

17. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately hold over 30% of the voting share capital of the Company, which complied under the condition of syndicated loan.

Save as disclosed above in this report, as at 31 March 2010, none of the directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code.

Discloseable Interest Under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholders

As at 31 March 2010, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person	Number of Shares (note 1)	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	168,456,000 (L)	Beneficial owner (note 2)	15.83%
Cornice Worldwide Limited	168,456,000 (L)	Interest of controlled corporation (note 2)	15.83%
Madian Star Limited	168,456,000 (L)	Beneficial owner (note 3)	15.83%
Yonice Limited	168,456,000 (L)	Interest of controlled corporation (note 3)	15.83%
Trustcorp Limited	336,912,000 (L)	Trustee (notes 2, 3 & 4)	31.66%
Newcorp Ltd.	336,912,000 (L)	Interest of controlled corporation (notes 2, 3 & 4)	31.66%
Ho Yuen Mui, Shirley	183,923,737 (L)	Interest of spouse (note 5)	17.28%
Or Kwai Ying	185,610,737 (L)	Interest of spouse (note 6)	17.44%
Templeton Asset Management Limited	164,121,571 (L)	Investment manager	15.42%

Notes:

1. The letter "L" represents the person's interests in the Share and Underlying Shares.

2. These shares 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. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.

3. These shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family. Mr. Li Ming Hung is a director of Madian Star Limited and Yonice Limited.

4. Trustcorp Limited is wholly owned by Newcorp Ltd.

5. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li Ming Hung.

6. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.

Save as disclosed above, so far as is known to the Directors, as at 31 March 2010, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Share Options

Details of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

Arrangements to Purchase Shares or Debentures

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Repurchase, Sale or Redemption of the Company's Shares

During the year, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the shares of the Company during the year.

Emolument Policy

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 28 to the consolidated financial statements.

Contract of Significance

Save as disclosed in note 28 to the consolidated financial statements in respect of the Company's share option scheme, there is no contract of significance subsisting as at 31 March 2010 in which a Director is or was materially interested, either directly or indirectly.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 March 2010.

Auditor

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

On behalf of the Board

Li Ming Hung
Chairman

Hong Kong
15 July 2010

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" ("Code") as set out in Appendix 14 to the Listing Rules.

Throughout the year ended 31 March 2010, the Company had complied with the Code Provisions.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors and senior management of the Group on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors and senior management of the Group, all directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by directors and senior management throughout the year ended 31 March 2010.

Board of Directors

The Board is currently composed of four executive Directors comprising Mr. Li Ming Hung as the chairman, Mr. Chen Tien Tui as the chief executive officer of the Company, Mr. Lee Yuen Chiu, Andy and Mr. Choi Lin Hung; and three independent non-executive Directors comprising Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr Kwok Sze Chi. The biographical details of the Directors are set out on pages 13 to 14 of the annual report of the Company for the year ended 31 March 2010. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. Each independent non-executive Director is appointed for a term of two years.

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

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

(2) reviewed and approved corporate strategies of the Group for the financial year ending 31 March 2011; and

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

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

Details of the Directors' attendance records at the regular board meetings during the year are as follows:

	Attendance
Executive Directors	
Mr. Li Ming Hung (Chairman)	4/4
Mr. Chen Tien Tui (Chief Executive Officer)	4/4
Mr. Lee Yuen Chiu, Andy	4/4
Mr. Choi Lin Hung	4/4
Independent Non-executive Directors	
Mr. Kan Ka Hon	4/4
Mr. Phaisalakani Vichai	4/4
Mr. Kwok Sze Chi	4/4

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

The roles of the chairman and the chief executive officer are segregated and are not exercised by the same individual.

The Company has received from each of the independent non-executive Directors a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Nomination of Directors

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

Remuneration Committee

The Remuneration Committee is currently composed of five members, comprising three independent non-executive Directors, namely Mr. Kan Ka Hon (Chairman), Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, and two executive Directors, Mr. Li Ming Hung and Mr. Chen Tien Tui. It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

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

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

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

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$2,261,000 for the Group;
Non-audit services of approximately HK$1,718,000 including:
- review of interim results
- taxation services for the Group
- agreed-upon procedures on the Group's continuing connected transaction
- agreed-upon procedures on the Group's annual results announcement

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Kan Ka Hon (Chairman), Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi. It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

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

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

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

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

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

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

Details of attendance of each member of the Audit Committee during the year are as follows:

	Attendance
Independent Non-executive Directors	
Mr. Kan Ka Hon	3/3
Mr. Phaisalakani Vichai	3/3
Mr. Kwok Sze Chi	2/3

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Victory City International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 84, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 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 as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong
15 July 2010

CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	**3,863,612**	4,090,493
Cost of sales		**(3,144,737)**	(3,427,189)
Gross profit		**718,875**	663,304
Other income		**3,773**	15,317
Other gains and losses	9	**21,889**	(20,504)
Distribution and selling expenses		**(70,584)**	(87,563)
Administrative expenses		**(256,316)**	(251,943)
Finance costs	10	**(47,736)**	(60,579)
Profit before tax		**369,901**	258,032
Income tax expense	11	**(32,325)**	(17,120)
Profit for the year	12	**337,576**	240,912
Exchange differences arising on translation of foreign operations, representing other comprehensive income for the year		**(2,123)**	4,874
Total comprehensive income for the year		**335,453**	245,786
Profit for the year attributable to:			
Owners of the Company		**314,627**	216,865
Minority interests		**22,949**	24,047
		337,576	240,912
Total comprehensive income attributable to:			
Owners of the Company		**312,504**	221,739
Minority interests		**22,949**	24,047
		335,453	245,786
Earnings per share	14		
Basic		**30.4 cents**	29.7 cents
Diluted		**N/A**	N/A

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	15	**2,294,777**	2,444,630
Prepaid lease payments	16	**34,333**	49,147
Goodwill	17	**6,185**	6,185
Interest in a jointly controlled entity	18	**–**	–
Deposit paid for acquisition of property, plant and equipment		**1,859**	4,306
		2,337,154	2,504,268
Current assets			
Inventories	19	**1,680,996**	1,357,908
Trade and bills receivables	20	**975,169**	875,514
Deposits, prepayments and other receivables		**134,919**	107,476
Prepaid lease payments	16	**862**	1,237
Derivative financial instruments	26	**–**	3,172
Bank balances and cash	21	**547,779**	546,477
		3,339,725	2,891,784
Assets classified as held for sale	23	**28,118**	–
		3,367,843	2,891,784
Current liabilities			
Trade payables	22	**424,935**	376,913
Other payables		**144,904**	112,063
Dividend payable		**91**	83
Taxation payable		**78,734**	60,583
Bank borrowings – amount due within one year	24	**767,739**	1,082,727
Structured borrowings – amount due within one year	25	**19,947**	18,792
Derivative financial instruments	26	**–**	11,680
		1,436,350	1,662,841
Liabilities associated with assets classified as held for sale	23	**22,282**	–
		1,458,632	1,662,841
Net current assets		**1,909,211**	1,228,943
Total asset less current liabilities		**4,246,365**	3,733,211

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	27	**10,641**	10,255
Reserves		**3,067,199**	2,719,628
Equity attributable to owners of the Company		**3,077,840**	2,729,883
Minority interests		**142,212**	142,331
Total equity		**3,220,052**	2,872,214
Non-current liabilities			
Bank borrowings – amount due after one year	24	**1,010,623**	830,631
Structured borrowings – amount due after one year	25	**9,974**	28,188
Deferred taxation	29	**5,716**	2,178
		1,026,313	860,997
		4,246,365	3,733,211

The financial statements on pages 30 to 84 were approved and authorised for issue by the Board of Directors on 15 July 2010 and are signed on its behalf by:

Li Ming Hung
Director

Chen Tien Tui
Director

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to equity holders of the Company										
	Share capital HK$'000 (note 27)	Share premium HK$'000	Special reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note i)	Translation reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
As 1 April 2008	6,758	754,810	–	36	76,229	395,361	45,958	1,112,487	2,391,639	117,426	2,509,065
Profit for the year	–	–	–	–	–	–	–	216,865	216,865	24,047	240,912
Exchange difference arising from translation of foreign operations, representing other comprehensive income for the year	–	–	–	–	–	4,874	–	–	4,874	–	4,874
Total comprehensive income for the year	–	–	–	–	–	4,874	–	216,865	221,739	24,047	245,786
Share repurchased and cancelled	(3)	(555)	–	3	–	–	–	–	(555)	–	(555)
Issue of shares under scrip dividend scheme for 2008 final	82	14,820	–	–	–	–	(14,902)	–	–	–	–
Issue of shares of rights issue (note 27)	3,418	144,698	–	–	–	–	–	–	148,116	–	148,116
Dividends paid in cash	–	–	–	–	–	–	(31,056)	–	(31,056)	–	(31,056)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	(3,636)	(3,636)
Capital contribution by a minority shareholder	–	–	–	–	–	–	–	–	–	4,494	4,494
At 31 March 2009	10,255	913,773	–	39	76,229	400,235	–	1,329,352	2,729,883	142,331	2,872,214
Profit for the year	–	–	–	–	–	–	–	314,627	314,627	22,949	337,576
Exchange difference arising from translation of foreign operations, representing other comprehensive income for the year	–	–	–	–	–	(2,123)	–	–	(2,123)	–	(2,123)
Total comprehensive income for the year	–	–	–	–	–	(2,123)	–	314,627	312,504	22,949	335,453
Interim dividend declared	–	–	–	–	–	–	21,210	(21,210)	–	–	–
Acquisition of additional interest on a subsidiary (note ii)	–	–	1,961	–	–	–	–	–	1,961	(20,961)	(19,000)
Placing of new shares (note 27)	350	46,730	–	–	–	–	–	–	47,080	–	47,080
Issue of shares under scrip dividend scheme for 2010 interim	36	7,586	–	–	–	–	(7,622)	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(13,588)	–	(13,588)	–	(13,588)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	(2,107)	(2,107)
At 31 March 2010	**10,641**	**968,089**	**1,961**	**39**	**76,229**	**398,112**	**-**	**1,622,769**	**3,077,840**	**142,212**	**3,220,052**

Notes:

(i) The capital reserve of the Group represents the difference between the nominal value of shares issued by the Company and the aggregate nominal value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which became effective on 22 April 1996, and as reduced by the amount arising from a capital reduction in January 2001.

(ii) The amount of HK$1,961,000 represents discount on acquisition of 40% equity interest in Jiangmen V-Apparel Manufacturing Ltd. ("Jiangmen Factory"). Since 2006, the Group owned 60% interest in Jiangmen Factory through its wholly owned subsidiary. On 19 November 2009, the Group acquired the 40% interest in Jiangmen Factory from independent third parties for a consideration of HK$19,000,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**369,901**	258,032
Adjustments for:		
Depreciation of property, plant and equipment	**203,982**	204,371
Gain on disposal of property, plant and equipment	**(292)**	(12,577)
(Gain) loss on fair value changes of derivative financial instruments	**(26,996)**	35,446
Gain on structured deposits early terminated during the year	**–**	(2,444)
Interest income	**(806)**	(3,062)
Interest on bank borrowings	**47,736**	60,579
Loss (gain) on fair value changes of structured borrowings	**101**	(4,531)
Impairment losses recognised on receivables	**1,868**	806
Release of prepaid lease payments	**1,237**	645
Operating cash flows before working capital changes	**596,731**	537,265
(Increase) decrease in inventories	**(326,874)**	105,140
(Increase) decrease in trade receivables	**(103,094)**	18,885
(Increase) decrease in deposits, prepayments and other receivables	**(27,443)**	7,297
Increase (decrease) in trade payables	**51,019**	(69,057)
Increase in other payables	**35,741**	20,181
Increase (decrease) in derivative financial instrument	**18,488**	(5,156)
Cash generated from operations	**244,568**	614,555
Interest paid on bank borrowings	**(47,736)**	(71,118)
Hong Kong Profits Tax paid	**(773)**	(13,516)
Overseas tax refund (paid)	**586**	(156)
PRC enterprise income tax (paid) refund	**(10,449)**	2,118
Interest received	**806**	3,062
NET CASH FROM OPERATING ACTIVITIES	**187,002**	534,945
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(64,630)**	(302,815)
Deposit paid for acquisition of property, plant and equipment	**(1,859)**	(4,306)
Proceeds from disposal of property, plant and equipment	**825**	352
Increase in structured deposit	**–**	(56,160)
Purchase of prepaid lease payment	**–**	(28,779)
Proceeds from sales of assets classified as held for sale	**–**	169,966
Proceeds from termination of structured deposits	**–**	98,003
NET CASH USED IN INVESTING ACTIVITIES	**(65,664)**	(123,739)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
New bank loans raised	**1,174,089**	16,854
Net amount of bills, import loans and trust receipts loans raised (repaid)	**4,060**	(281,086)
Repayment of bank loans	**(1,291,406)**	(215,878)
Acquisition of additional interest in a subsidiary	**(19,000)**	–
Repayment of structured borrowings	**(17,160)**	(17,160)
Dividend paid to the Company's shareholders	**(13,580)**	(31,210)
Repayment of mortgage loans	**(2,357)**	(391)
Dividend paid to a minority shareholder	**(2,107)**	(3,636)
Proceeds from issue of new shares	**47,080**	148,116
New mortgage loans raised	**–**	42,560
Capital contribution from minority shareholders	**–**	4,494
Share repurchased and cancelled	**–**	(555)
NET CASH USED IN FINANCING ACTIVITIES	**(120,381)**	(337,892)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**957**	73,314
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**546,477**	470,139
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**345**	3,024
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**547,779**	546,477

1. General

The Company is 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 addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section set out in the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

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

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 8).

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 27 (Revised) may not have material effect in relation to changes in the Group's ownership interest in a subsidiary that do not give rise to loss of control because the Group's current accounting policies on this aspect is consistent with those set out in HKAS 27 (Revised).

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

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

3. Significant Accounting Policies

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

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Group 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 on consolidation.

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

Acquisition of additional interest in a subsidiary

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

3. Significant Accounting Policies *(Continued)*

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquire at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1 April 2001, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit ("CGU") to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses and is presented separately in consolidated statement of financial position.

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

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

Jointly controlled entity

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

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

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

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

3. Significant Accounting Policies *(Continued)*

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 and subcontracting income are recognised when services are provided.

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment losses. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

An investment property carried at fair value will be transferred to property, plant and equipment when the property is no longer held to earn rentals and/or for capital appreciation but for use in the production or supply of goods or services, or for administrative purposes. The property's deemed cost for subsequent accounting in accordance with HKAS 16 shall be its fair value at the date of change in use.

Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire leasehold land interests are stated at cost and amortised over the period of the lease on a straight-line basis.

3. Significant Accounting Policies *(Continued)*

Non-current assets classified as held for sale

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating lease and amortised over the lease term on a straight-line basis.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

3. Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 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 an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the 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 and 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. 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 on 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 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 has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- 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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Group's financial assets classified as financial assets at FVTPL are derivatives that are not designated and effective as hedging instruments.

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

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 receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets, objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the liability on initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method (Continued)

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL 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;
- 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, other payables, dividend payable and bank borrowings are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Upon repurchase of the Company's own shares, the issued share capital of the Company is reduced by the nominal value thereof. The premium payable on repurchase is charged against the Company's share premium account.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Equity instruments (Continued)

Scrip dividends are issued as an alternative to a cash dividend. The amount subscribed for the shares is equal to the cash value of the dividend. Any excess of the scrip amount over the nominal value of the shares is taken to the share premium account just as it is for any other issue of shares.

Derivative financial instruments

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

Derecognition

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees of the Group after 7 November 2002 and vested after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve. At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will continue to be held in share options reserve.

3. Significant Accounting Policies *(Continued)*

Impairment losses

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

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

4. 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 2010, the carrying amount of trade and bills receivables was HK$975,169,000 (2009: HK$875,514,000) (net of allowance for doubtful debts of HK$5,640,000 (2009: HK$3,772,000)).

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 2010, the carrying amount of inventories was HK$1,680,996,000 (2009: HK$1,357,908,000).

Income taxes

As at 31 March 2010, deferred tax asset in relation to unused tax losses of HK$37,928,000 (2009: HK$38,568,000) and deductible temporary difference of HK$51,469,000 (2009: HK$51,428,000) in respect of accelerating accounting depreciation (see Note 29) were not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such recognition takes place.

5. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes the payables and borrowings disclosed in notes 22, 24 and 25, net of cash and cash equivalents disclosed in note 21, and equity attributable to owners of the Company, comprising issued share capital and various reserves and retained profits.

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

6. Financial Instruments

(a) Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,555,021**	1,435,215
FVTPL		
Derivative financial instruments	**–**	3,172
Financial liabilities		
Amortised cost	**2,232,340**	2,299,000
FVTPL		
Derivative financial instruments	**–**	11,680
Structured borrowings (note)	**29,921**	46,980

note:

Structured borrowings

	2010 HK$'000	2009 HK$'000
Difference between carrying amount and outstanding principal amount		
At fair value	**29,921**	46,980
Outstanding principal at end of the reporting period	**(29,640)**	(46,800)
	281	180

The change in fair value was mainly due to change in market risk factors. The fair value attributable to change in its credit risk is considered minimal.

6. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, derivative financial instruments, bank balances, trade payables, other payables, bank borrowings and structured 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.

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

	Liabilities		**Assets**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
USD	**114,025**	124,121	**175,110**	155,964
RMB	**19**	11,049	**49,052**	38,869

Sensitivity analysis

As HKD is pegged with USD, the Group's currency risk in relation to the monetary assets/liabilities denominated in USD is not expected to be significant.

The Group is mainly exposed to foreign currency risk of RMB.

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

	RMB Impact	
	2010 HK$'000	2009 HK$'000
Exchange gain	**2,452**	1,391

6. Financial Instruments *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk *(Continued)*

For year ended 31 March 2009, no sensitivity analysis was presented for the outstanding foreign currency forward contracts as the impact of the foreign forward contracts was insignificant as at the end of the reporting period.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, bank borrowings and structured borrowings (see notes 21, 24 and 25 for details). It is the Group's policy to keep its bank balances and borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

In respect of the structured borrowings, the repayment amounts are based on the spread rates between 10 years US$-ISDA-Swap Rate and 2 years US$-ISDA-Swap Rate, the entire borrowing is designated as fair value through profit or loss as disclosed in note 25. Other than the structured borrowings, the bank borrowings (note 24) are at variable-rate and determined by reference to the prevailing market rate.

The management monitors interest rate exposure and considers hedging significant interest rate exposure using interest rate swaps which, however, are not qualified for applying hedge accounting.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's bank borrowings.

Sensitivity analysis

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

If HIBOR interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$8,892,000 (2009: HK$9,567,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. The impact of bank balances is insignificant.

For structured borrowings as set out in Note 25, the number of business days in the period for which Spread Rate (as defined) exceeds pre-determined rates 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.

6. Financial Instruments *(Continued)*

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

***Market risk** (Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis (Continued)

If there were 7 (2009: 7) more business days in the period for which Spread Rate (as defined) exceeded pre-determined rates and all other variables were held constant, the Group's profit for the year ended 31 March 2010 would decrease by HK$1,386,000 (2009: HK$1,449,000). This is mainly attributable to the Group's exposure to interest rates on its structured borrowings.

Credit risk

As at 31 March 2010, 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 manage 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. An impairment loss of approximately HK$4,443,000 (2009: HK$806,000) in respect of the trade receivable was recognised by the Group for the year. In this regard, the directors of the Company consider that the Group's credit risk is minimal.

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

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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 structured borrowings and ensures compliance with loan covenants.

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

In addition, the table for the year ended 31 March 2009 details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

6. Financial Instruments *(Continued)*

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

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade and other payables		153,458	234,164	44,073	–	431,695	431,695
Bank borrowings	1.82%	267,472	287,634	215,991	996,432	1,767,529	1,757,933
Mortgage loan	2.60%	102	207	954	21,489	22,752	20,430
Liabilities associated with assets classified as held for sales	2.67%	97	22,334	–	–	22,431	22,282
		421,129	544,339	261,018	1,017,921	2,244,407	2,232,340
Structured borrowings	2.25%	–	10,030	10,086	10,198	30,314	29,921

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables		271,255	67,962	46,425	–	385,642	385,642
Bank borrowings	3.88%	328,946	331,040	449,025	831,195	1,940,206	1,871,189
Mortgage loan	2.80%	197	200	2,017	40,936	43,350	42,169
		600,398	399,202	497,467	872,131	2,369,198	2,299,000
Structured borrowings	2.25%	3,943	–	8,671	34,797	47,411	46,980
Derivatives – net settlement							
Foreign currency contracts	–	–	–	170	–	170	170
Interest rate swaps	–	11,510	–	–	–	11,510	11,510
		11,510	–	170	–	11,680	11,680

6. Financial Instruments *(Continued)*

(c) Fair value

The fair value of financial assets and financial liabilities (including derivative instruments and structured borrowings) 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 and grouped into Level 1 to 3 based on the degree to which the fair value is observable.

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

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

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

At the end of the reporting period, all the Group's structured borrowings are measured at fair value as set out in Note 25 and are within the Level 2 category.

There were no transfers between the three Levels during the year.

7. Revenue

Revenue represents the amounts received and receivables for goods sold and services provided by the Group to outside customers, less returns and allowances. It is analysed as follows:

	2010 **HK$'000**	2009 HK$'000
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	**2,969,261**	2,806,225
Production and sale of garment products and provision of quality services	**894,351**	1,284,268
	3,863,612	4,090,493

8. Segment Information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Company's board of directors. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments.

For the year ended 31 March 2010, for the purpose of resources allocation and performance assessment, the Company's board of directors review operating results and financial information on (i) a subgroup of production and sales of knitted fabric and dyed yarn; and (ii) two subgroups of production and sale of garment products. The subgroup of production and sales of knitted fabric and dyed yarn constitutes an operating segment of the Group. The two subgroups of production and sale of garment products are aggregated in a single operating segment as they have similar economic characteristics such as production and sales of garment products and share of same distribution channel to similar class of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

At the end of the reporting period, the Group's operations are organised into two operating segments:

(i) Knitted fabric and dyed yarn – Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services

(ii) Garment products – Production and sale of garment products and provision of quality inspection services

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

Year ended 31 March 2010

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	2,969,261	894,351	3,863,612	–	3,863,612
Inter-segment sales	32,016	–	32,016	(32,016)	–
	3,001,277	894,351	3,895,628	(32,016)	3,863,612
RESULTS					
Segment results	353,378	49,511	402,889	–	402,889
Unallocated corporate income					26,995
Unallocated corporate expenses					(12,247)
Finance cost					(47,736)
Profit before tax					369,901

8. Segment Information *(Continued)*

Year ended 31 March 2009

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	2,806,225	1,284,268	4,090,493	–	4,090,493
Inter-segment sales	98,495	–	98,495	(98,495)	–
	2,904,720	1,284,268	4,188,988	(98,495)	4,090,493
RESULTS					
Segment results	307,169	53,560	360,729	–	360,729
Unallocated corporate income					5,013
Unallocated corporate expenses					(47,131)
Finance cost					(60,579)
Profit before tax					258,032

Segment profit represents the profit earned by each segment without allocation of rental income from investment properties, gain on fair value changes of derivative financial instruments, central administration costs and finance costs. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market rate.

Segment assets and liabilities

At 31 March 2010

	Knitted fabric and dyed yarn HK$'000	**Garment products HK$'000**	**Consolidated HK$'000**
ASSETS			
Segment assets	**4,778,589**	**349,404**	**5,127,993**
Unallocated assets			**548,886**
Assets classified as held for sale			**28,118**
Consolidated total assets			**5,704,997**
LIABILITIES			
Segment liabilities	**417,421**	**150,657**	**568,078**
Unallocated liabilities			**1,894,585**
Liabilities associated with assets classified as held for sale			**22,282**
Consolidated total liabilities			**2,484,945**

8. Segment Information *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 March 2009

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	4,401,118	444,111	4,845,229
Unallocated assets			550,823
Consolidated total assets			5,396,052
LIABILITIES			
Segment liabilities	319,698	167,030	486,728
Unallocated liabilities			2,037,110
Consolidated total liabilities			2,523,838

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

- All assets other than bank balances and cash, derivative financial instruments, assets classified as held for sale and tax recoverable are allocated to operating segments, and

- All liabilities other than taxation payables and deferred tax liabilities, bank borrowings, derivative financial instruments, liabilities associated with assets classified as held for sale are allocated to operating segment.

8. Segment Information *(Continued)*

Other segment information

At 31 March 2010

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets/ regularly provided to board of directors:					
Addition to non-current assets (note)	**54,631**	**44,180**	**98,811**	**–**	**98,811**
Depreciation	**190,967**	**13,015**	**203,982**	**–**	**203,982**
Gain (loss) on disposal of property, plant and equipment	**313**	**(21)**	**292**	**–**	**292**
Loss on fair value changes of structured borrowings	**–**	**–**	**–**	**(101)**	**(101)**
Gain on fair value changes of derivative financial instruments	**–**	**–**	**–**	**26,996**	**26,996**
Impairment losses recognised on receivables	**1,085**	**783**	**1,868**	**–**	**1,868**

At 31 March 2009

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets/ regularly provided to board of directors:					
Addition to non-current assets (note)	263,667	58,422	322,089	–	322,089
Depreciation	190,558	13,813	204,371	–	204,371
Gain on disposal of property, plant and equipment	–	12,577	12,577	–	12,577
Gain on fair value changes of structured borrowings	–	–	–	4,531	4,531
Loss on fair value changes of derivative financial instruments	–	–	–	35,446	35,446
Impairment losses recognised on receivables	184	622	806	–	806

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

8. Segment Information *(Continued)*

Other segment information *(Continued)*

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

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Hong Kong	**652,264**	835,992	**42,710**	62,088
PRC	**1,730,369**	1,448,583	**1,622,287**	1,809,145
USA	**513,484**	814,752	**231**	371
Canada	**148,815**	153,469	**–**	5
Others	**818,680**	837,697	**671,926**	632,659
	3,863,612	4,090,493	**2,337,154**	2,504,268

Information about major customers

None of the Group's customers contributed over 10% of the Group's total revenue for each of the two years ended 31 March 2010.

9. Other Gains and Losses

	2010 HK$'000	2009 HK$'000
Gain (loss) on fair value changes of derivative financial instruments	**26,996**	(35,446)
(Loss) gain on fair value changes of structured borrowings	**(101)**	4,531
Gain on structured deposits early terminated during the year	**–**	2,444
Gain on disposal of property, plant and equipment	**292**	12,577
Net foreign exchange losses	**(3,430)**	(3,804)
Impairment losses recognised on receivables	**(1,868)**	(806)
	21,889	(20,504)

10. Finance Costs

	2010 HK$'000	2009 HK$'000
Interest on bank borrowings wholly repayable within five years	**47,736**	71,118
Less: amounts capitalised	**–**	(10,539)
	47,736	60,579

Borrowing costs capitalised for the year ended 31 March 2009 were calculated by applying a capitalisation rate of approximately 3%.

11. Income Tax Expense

	2010 HK$'000	2009 HK$'000
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax		
– current year	**10,600**	7,304
– overprovision in respect of prior years	**(1,183)**	(643)
	9,417	6,661
Enterprise income tax in the PRC attributable to subsidiaries		
– current year	**15,599**	11,347
– under(over)provision in respect of prior years	**3,545**	(1,871)
	19,144	9,476
Overseas income tax	**226**	109
	28,787	16,246
Deferred tax (note 29):		
– current year	**3,538**	886
– effect of change in tax rate	**–**	(12)
	32,325	17,120

Hong Kong

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

11. Income Tax Expense *(Continued)*

PRC

On 16 March 2007, the PRC promulgated the Enterprise Income Tax Law of the PRC on Enterprise Income Tax Law (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New EIT Law (the "Implementation Regulations"). The New EIT Law and Implementation Regulations enacted the statutory tax rate of 25% for certain subsidiaries from 1 January 2008.

Pursuant to the relevant PRC regulations, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The relevant PRC subsidiary can continue to enjoy the aforesaid tax incentives until its expiry according to the grand fathering provisions in the relevant PRC regulations. Accordingly, the profits of a PRC subsidiary are subject to PRC enterprise income tax at 50% of the statutory rate for the calendar year 2009.

Macau

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

Other jurisdictions

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

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

	2010 HK$'000	2009 HK$'000
Profit before tax	**369,901**	258,032
Tax at the domestic income tax rate of 16.5%	**61,034**	42,575
Tax effect of expenses that are not deductible for tax purpose	**3,915**	10,572
Tax effect of income not taxable for tax purpose	**(749)**	(2,586)
Tax effect of utilisation of tax losses previously not recognised	**(284)**	(373)
Tax effect of tax losses not recognised	**178**	2,167
Tax effect of other deferred tax assets not recognised	**–**	2,435
Income tax on concessionary rate and tax exemption	**(40,015)**	(30,603)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,392**	(6,434)
Under(over)provision in respect of prior years	**2,362**	(2,514)
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**–**	(12)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries	**3,492**	1,893
Tax charge for the year	**32,325**	17,120

Details of deferred taxation are set out in note 29.

12. Profit for the Year

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	**15,854**	16,985
Other staff costs	**257,672**	281,645
Total staff costs	**273,526**	298,630
Auditor's remuneration	**2,558**	2,198
Depreciation of property, plant and equipment	**203,982**	204,371
Release of prepaid lease payments	**1,237**	645
and after crediting:		
Gross rental income from investment properties	**–**	958
Less: Outgoings	**–**	(129)
Net property rental income	**–**	829
Bank interest income	**806**	3,062

Included in the total staff costs is an aggregate amount of approximately HK$13,693,000 (2009: HK$13,255,000) in respect of contributions of retirement benefits schemes made by the Group (note ii).

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.

12. Profit for the Year *(Continued)*

Notes:

(i) Information regarding directors' and employees' emoluments

Directors

The emoluments paid or payable to each of the seven (2009: eight) directors were as follows:

	Li Ming Hung HK$'000	Chen Tien Tui HK$'000	So Kam Wah HK$'000 (note)	Lee Yuen Chiu, Andy HK$'000	Choi Lin Hung HK$'000	Kan Ka Hon HK$'000	Phaisalakani Vichai (Andy Hung) HK$'000	Kwok Sze Chi HK$'000	Total HK$'000
2010									
Fees	**–**	**–**	**–**	**–**	**–**	**180**	**180**	**180**	**540**
Salaries and other benefits	**3,360**	**3,360**	**–**	**1,476**	**2,178**	**–**	**–**	**–**	**10,374**
Performance related incentive payments	**1,940**	**1,940**	**–**	**414**	**450**	**–**	**–**	**–**	**4,744**
Contribution to retirement benefits scheme	**48**	**48**	**–**	**82**	**18**	**–**	**–**	**–**	**196**
Total emoluments	**5,348**	**5,348**	**–**	**1,972**	**2,646**	**180**	**180**	**180**	**15,854**
2009									
Fees	–	–	–	–	–	180	180	180	540
Salaries and other benefits	3,360	3,360	788	1,476	2,202	–	–	–	11,186
Performance related incentive payments	1,944	1,944	232	418	455	–	–	–	4,993
Contribution to retirement benefits scheme	48	48	70	82	18	–	–	–	266
Total emoluments	5,352	5,352	1,090	1,976	2,675	180	180	180	16,985

No directors waived any emoluments for the year ended 31 March 2010 and 2009.

note: Mr. So Kam Wah resigned on 22 January 2009.

12. Profit for the Year *(Continued)*

Notes: *(Continued)*

(i) Information regarding directors' and employees' emoluments *(Continued)*

Employees

The five highest paid individuals of the Group for both years included four (2009: four) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining one (2009: one) individual of the Group, not being a director of the Company, are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**1,080**	1,080
Performance related incentive payments	**320**	324
Contributions to retirement benefits scheme	**54**	54
	1,454	1,458

At the end of each reporting period, no emoluments were paid by the Group to the directors as are inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years.

(ii) Retirement benefits scheme contributions

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

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

As at 31 March 2010 and 2009, there were no forfeited contributions available to offset future employers' contributions to the scheme.

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

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

13. Distributions

	2010 **HK$'000**	2009 HK$'000
Dividends recognised as distribution during the year:		
2010 interim dividend of HK2.0 cents (2009: nil) per ordinary share	**21,210**	–
2009 final dividend of nil (2009: 2008 final dividend of HK6.8 cents) per ordinary share	**–**	45,958
	21,210	45,958

The final dividend of HK4.0 cents (2009: nil) per share, which will be in cash with a scrip dividend option, has been calculated by reference to the 1,064,099,158 issued ordinary shares outstanding as at the date these financial statements were approved by the directors, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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:

	2010 **HK$'000**	2009 HK$'000
Earnings		
Profit for the year attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**314,627**	216,865
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (note i)	**1,035,734,211**	729,768,643
Effect of dilutive potential ordinary shares in respect of share options (note ii)	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,035,734,211**	729,768,643

notes:

i. The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 March 2009 have been retrospectively adjusted for the effect of the rights issue completed in January 2009.

ii. No diluted earnings per share has been presented for the year ended 31 March 2010 because the exercise price of the Company's share options outstanding for the year was higher than the average market price of the shares.

15. Property, Plant and Equipment

	Buildings HK$'000	Construction in progress HK$'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 2008	960,341	901,579	40,715	30,095	26,225	1,062,056	3,021,011
Exchange realignment	17,884	10,260	516	412	257	19,488	48,817
Additions	181,821	57,850	4,374	5,192	1,630	71,222	322,089
Transfer	758,244	(937,805)	–	–	–	179,561	–
Transfer from investment properties	2,470	–	–	–	–	–	2,470
Disposals	–	–	(499)	–	(512)	(168)	(1,179)
At 31 March 2009	1,920,760	31,884	45,106	35,699	27,600	1,332,159	3,393,208
Exchange realignment	45	–	(27)	(36)	(10)	(453)	(481)
Additions	17,666	1,461	3,203	6,729	3,988	35,889	68,936
Transfer to assets classified as held for sale	(13,956)	–	–	(210)	–	–	(14,166)
Disposals	–	–	(1,927)	(1,521)	(3,436)	(1,568)	(8,452)
At 31 March 2010	**1,924,515**	**33,345**	**46,355**	**40,661**	**28,142**	**1,366,027**	**3,439,045**
DEPRECIATION							
At 1 April 2008	130,532	–	24,003	11,712	18,816	551,980	737,043
Exchange realignment	4,374	–	243	130	175	3,097	8,019
Provided for the year	55,619	–	6,784	3,094	2,990	135,884	204,371
Eliminated on disposals	–	–	(287)	–	(448)	(120)	(855)
At 31 March 2009	190,525	–	30,743	14,936	21,533	690,841	948,578
Exchange realignment	1	–	(11)	(12)	39	(389)	(372)
Provided for the year	76,347	–	4,644	2,976	2,675	117,340	203,982
Eliminated on disposals	–	–	(1,788)	(1,330)	(3,311)	(1,491)	(7,920)
At 31 March 2010	**266,873**	**–**	**33,588**	**16,570**	**20,936**	**806,301**	**1,144,268**
CARRYING VALUE							
At 31 March 2010	**1,657,642**	**33,345**	**12,767**	**24,091**	**7,206**	**559,726**	**2,294,777**
At 31 March 2009	1,730,235	31,884	14,363	20,763	6,067	641,318	2,444,630

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

Buildings	4% per annum or over the shorter of the term of the lease
Leasehold improvements	5 to 10 years or over the term of the relevant leases, if shorter
Furniture, fixtures and equipment	15% – 25% per annum
Motor vehicles	20% per annum
Plant and machinery	$6\frac{2}{3}$% – 25% per annum

The Group's leasehold buildings are located on leasehold land held under medium-term leases in Hong Kong and the PRC.

16. Prepaid Lease Payments

	2010 HK$'000	2009 HK$'000
Prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term leases	**17,510**	28,623
Leasehold land in PRC:		
Medium-term leases	**17,685**	21,761
	35,195	50,384
Analysed for reporting purposes as:		
Current asset	**862**	1,237
Non-current asset	**34,333**	49,147
	35,195	50,384

On 28 January 2010, the group entered into a sales agreement with an independent third party to dispose of a self-used building for a cash consideration of HK$29,000,000. Accordingly, the prepaid lease payments with a carrying amount of HK$13,952,000 were transferred to assets classified as held for sale at 31 March 2010.

17. Goodwill

	HK$'000
COST	
At 1 April 2008, 31 March 2009 and 31 March 2010	**6,185**

As explained in note 7, the Group has two operating segments. For the purposes of impairment testing, goodwill was allocated to a CGU, which is the production and sale of garment products segment. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2010 allocated to this unit is as follows:

	Goodwill HK$'000
Garment products	**6,185**

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 4% (2009: 4%). The cash flows beyond the 5-year period are extrapolated using a steady 4% growth rate (2009: 4%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

18. Interest in a Jointly Controlled Entity

	2010 HK$'000	2009 HK$'000
Cost of unlisted investment in a jointly controlled entity	**1,340**	1,340
Share of loss	**(1,340)**	(1,340)
	–	–

As at 31 March 2010, 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 dormant and has insignificant assets and liabilities. The group has discontinued recognition of its share of losses of the jointly controlled entity. The amounts of unrecognised share of the jointly controlled entity, both for the year and cumulatively are insignificant.

19. Inventories

	2010 HK$'000	2009 HK$'000
Raw materials	**1,020,520**	662,164
Work in progress	**361,302**	381,887
Finished goods	**299,174**	313,857
	1,680,996	1,357,908

20. Trade and Bills Receivables

	2010 HK$'000	2009 HK$'000
Trade receivables	**764,139**	653,843
Bills discounted with recourse and debts factored with recourse	**216,670**	225,443
Less: allowance for doubtful debts	**(5,640)**	(3,772)
	975,169	875,514

The Group generally allows its trade customers an average credit period of 90 – 120 days.

20. Trade and Bills Receivables *(Continued)*

The following is an aged analysis of trade and bills receivables, presented based on the invoice date at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
0 – 60 days	**653,583**	637,345
61 – 90 days	**197,905**	165,238
91 – 120 days	**96,447**	48,264
Over 120 days	**27,234**	24,667
	975,169	875,514

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:

	RMB (equivalent to HK$'000)	USD (equivalent to HK$'000)
As at 31 March 2010	**48,604**	**112,386**
As at 31 March 2009	38,379	91,392

Before acceptance any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributable to customers are reviewed regularly.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in the Group's trade receivable balance are debtors that were outstanding for more than 120 days with aggregate carrying amount of HK$27,234,000 (2009: HK$24,667,000) which were past due at the reporting date but for which the Group has not provided for impairment loss. 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 did not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality. The Group has assessed the credit quality of the trade receivables by using the internal assessment, taking into account 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 March 31, 2010, the Group discounted certain bill receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables which were discounted until they were eventually settled by the customers as the Group was still exposed to credit risk on these receivables. As at March 31, 2010, the carrying amount of receivables discounted with recourse was HK$216,670,000 (2009: HK$225,443,000).

20. Trade and Bills Receivables *(Continued)*

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	**3,772**	6,295
Impairment losses recognised on receivables	**1,892**	806
Reversal of impairment losses recognised on receivables	**(24)**	–
Amounts written off as uncollectible	**–**	(3,329)
Balance at end of the year	**5,640**	3,772

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

21. Bank Balances and Cash

These represent bank balances, cash and short-term bank deposits held by the Group. Bank balances carry interest at market rates ranging from 0.01% to 0.1% (2009: from 0.01% to 1.5%) 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:

	RMB (equivalent to HK$'000)	**USD (equivalent to HK$'000)**
As at 31 March 2010	**275**	**62,724**
As at 31 March 2009	490	62,363

22. Trade Payables

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

	2010 HK$'000	2009 HK$'000
0 – 60 days	**307,385**	326,744
61 – 90 days	**80,441**	30,538
Over 90 days	**37,109**	19,631
	424,935	376,913

The average credit period for purchase of goods is 60 – 120 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:

	RMB (equivalent to HK$'000)	USD (equivalent to HK$'000)
As at 31 March 2010	**19**	**48,680**
As at 31 March 2009	11,049	16,988

23. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale

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

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

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

The above disposal was subsequently completed in June 2010.

24. Bank Borrowings

	2010 HK$'000	2009 HK$'000
Bank loans	**1,235,694**	1,353,014
Bills discounted with recourse and debts factored with recourse	**216,670**	225,443
Import loans and trust receipts loans	**305,568**	292,732
Mortgage loans	**39,812**	42,169
Transfer to liabilities associated with asset classified as held for sale	**(19,382)**	–
	1,778,362	1,913,358
Analysed as:		
– secured	**39,426**	59,023
– unsecured	**1,738,936**	1,854,335
	1,778,362	1,913,358
Carrying amount repayable:		
Within one year	**767,739**	1,082,727
In more than one year but not more than two years	**260,159**	388,053
In more than two years but not more than three years	**274,341**	407,645
In more than three years but not more than four years	**460,871**	2,545
In more than four years but not more than five years	**15,252**	32,388
	1,778,362	1,913,358
Less: Amount due within one year included in current liabilities	**(767,739)**	(1,082,727)
Amount due after one year	**1,010,623**	830,631

The above includes a syndicated loan of HK$928,000,000 (2009: HK$1,388,000,000) which bears interest at HIBOR plus 1.8% per annum and with a tenure of 4 years (2009: HIBOR plus 0.5% per annum with a tenure of 5 years). The effective interest rate of the Group's other variable-rate bank borrowings bear interest ranging from HIBOR plus 0.55% to HIBOR plus 2.5% per annum (2009: ranging from HIBOR plus 0.55% to HIBOR plus 1.5% per annum) which are within a range from 0.68% to 2.63% (2009: from 2.03% to 3.91%) per annum.

24. 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:

	USD (equivalent to HK$'000)
As at 31 March 2010	**35,424**
As at 31 March 2009	39,381

25. Structured Borrowings

	2010 HK$'000	2009 HK$'000
Structured borrowings, classified as:		
Current	**19,947**	18,792
Non-current	**9,974**	28,188
	29,921	46,980

The structured borrowings contain embedded derivatives. Hence the entire combined contracts were designated as at fair value through profit or loss upon initial recognition. The estimated amount repayable to the bank within one year, represents the fair value of the structured borrowings at the end of the reporting period apportioned accordingly to the repayment term.

Major terms of the structured borrowings as at 31 March 2010 and 2009 are set out below:

Notional amount	**Upfront payment**	**Maturity date**	**Repayment amount**
US$50,000,000	US$5,000,000	11 October 2011	First half year 2% p.a. on notional amount Remaining four and half years: 8% p.a. minus (6% p.a. x N/M) on notional amount
US$60,000,000	US$6,000,000	22 September 2011	First half year: 2% p.a. on notional amount Remaining four and half years: 8.5% p.a. minus (6.5% p.a. x N/M) on notional amount

25. Structured Borrowings *(Continued)*

Where:

N = number of business days in the period for which Spread Rate > -0.13% and > -0.10% for the structured borrowings with notional amount of US$50,000,000 and US$60,000,000 respectively.

M = actual number of business days in the period

"Spread Rate" means 10 years US$-ISDA-Swap Rate minus 2 years US$-ISDA-Swap Rate

"10 years US$-ISDA-Swap Rate" means the rate for a reset date will be the rate for US dollar swaps with a maturity of the designated maturity of 10 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

"2 years US$-ISDA-Swap Rate" means the rate for a reset date will be the rate for US dollar swaps with a maturity of the designated maturity of 2 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

The entire combined contract is measured at fair value and calculated using discounted cashflow analysis based on the applicable yield curves at 31 March 2010. As at 31 March 2010, difference between the fair value as compared with the net amount of the upfront payment received less the repayment made was HK$281,000 (2009: HK$180,000). Increase in fair value of HK$101,400 (2009: decrease of HK$4,531,000) during the year was charged (2009: credited) to the consolidated statement of comprehensive income.

The structured borrowings are denominated in US dollars which is not the functional currency of the relevant group entity.

26. Derivative Financial Instruments

Derivatives settled in net (not under hedge accounting):

	2010		2009	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Interest rates swaps (note a)	–	–	2,678	(11,510)
Foreign currency forward contracts (note b)	–	–	494	(170)
	–	–	3,172	(11,680)

26. Derivative Financial Instruments – continued

notes:

(a) No interest rate swap was outstanding as at 31 March 2010.

Major terms of the interest rate swaps at 31 March 2009 were as follows:

Notional amount	Maturity	Swaps
US$10,000,000	10 August 2012	*note (i)*
EUR60,000,000	08 May 2013 (subject to the option for early termination at the Group's and the issuing bank's discretion)	*note (ii)*

notes:

(i) The Group received interest calculated using pre-determined formula rate and paid interests at 3-month US dollars LIBOR throughout the interest rate swap period to the counterparty.

(ii) The Group received interest calculated using pre-determined formula and paid interests at 3-month EURIBOR throughout the interest rate swap period to the counterparty.

(b) No foreign currency forward contract was outstanding as at 31 March 2010.

Major terms of the outstanding foreign currency forward contracts at 31 March 2009 were as follows:

Notional amount	Forward Contract Rates	Maturity
5 contracts to buy in total of US$2,500,000	US$1 to HK$7.705	Maturity of each contract per month from 30 April 2009 to 31 August 2009
5 contracts to sell in total of US$2,500,000	US$1 to HK$7.745	Maturity of each contract per month from 30 April 2009 to 31 August 2009
5 contracts to sell in total of CAD800,000	US$1 to CAD1.2980	30 September 2009

The above derivatives were measured at fair value at the end of the reporting period. The fair value of interest rate swaps was determined using discounted cash flow analysis based on applicable yield curves, while the fair value of foreign currency forward contracts was measured using quoted forward exchange rates matching maturities of the contracts at the end of the reporting period.

27. Share Capital

	Number of shares	Amount HK$'000
Authorised:		
At 1 April 2008, 31 March 2009 and 31 March 2010, at HK$0.01 each	**40,000,000,000**	**400,000**
Issued and fully paid:		
At 1 April 2008	675,849,667	6,758
Issue of shares pursuant to scrip dividend scheme for 2008 final dividend (note i)	8,161,666	82
Shares repurchased (note ii)	(348,000)	(3)
Issue of shares on rights issue (note iii)	341,831,666	3,418
At 31 March 2009	1,025,494,999	10,255
Placing of new shares (note iv)	35,000,000	350
Issue of shares pursuant to scrip dividend scheme for 2010 interim dividend (note v)	3,604,159	36
At 31 March 2010	**1,064,099,158**	**10,641**

notes:

(i) On 17 October 2008, the Company issued and allotted a total of 8,161,666 shares of HK$0.01 each at an issue price of HK$1.8259 each in lieu of cash for the 2008 final dividends pursuant to the scrip dividend circulars dispatched to shareholders on 28 August 2008. These shares ranked pari passu in all respects with the then existing shares.

(ii) During the year ended 31 March 2009, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Total consideration paid HK$
September 2008	316,000	1.78	1.44	506,200
October 2008	32,000	1.61	1.50	49,080
	348,000			555,280

The above shares were cancelled upon repurchase.

27. Share Capital *(Continued)*

notes: *(Continued)*

(iii) On 16 January 2009, the Company issued 341,831,666 shares at a subscription price of HK$0.439 each in the share capital of the Company, by way of rights issue in the proportion of one rights share for every two ordinary shares of HK$0.01 each in the Company held by the shareholders whose names appeared on the register of members of the Company at the close of business on 22 December 2008. The gross proceeds of approximately HK$150,064,000 were used for general working capital of the Company. Arrangement fees of approximately HK$1,948,000 was set off against share premium. As a result of the rights issue, the total number of shares in issue increased to 1,025,494,999.

(iv) Pursuant to a placing agreement dated 18 December 2009, the Company placed 35,000,000 shares of the Company at a price of HK$1.35 per share, resulting in gross proceeds to the Company of approximately HK$47,250,000. The placement was made to independent investors. The placing price represented a discount of approximately 9.4% to the closing price of HK$1.49 per share as quoted on the Stock Exchange on 18 December 2009, being the date on which the terms of placing was fixed. Arrangement fees of approximately HK$520,000 were set off against share premium. The proceeds were used for general working capital of the Group.

(v) On 5 March 2010, the Company issued and allotted a total of 3,604,159 shares of HK$0.01 each at an issue price of HK$2.1147 each in lieu of cash for the 2010 interim dividends pursuant to the script dividend circulars dispatched to shareholders on 15 January 2010. These shares ranked pari passu in all respects with the then existing shares.

28. Share-based Payment Transactions

At a special general meeting of the Company held on 30 November 2001 (the "Adoption Date"), the shareholders of the Company approved the adoption of the Company's new share option scheme (the "Scheme") and the termination of the Company's then existing share option scheme. The Scheme was adopted for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, and will expire on 29 November 2011. Under the Scheme, the Board may grant options to full-time employees, including executive directors of the Company and its subsidiaries, and any participants from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

At 31 March 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 127,552,338 (2009: 128,512,180), representing approximately 12% (2009: 13%) of the shares of the Company in issue at that date. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 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 Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the Adoption Date. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, 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 the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

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

28. Share-based Payment Transactions *(Continued)*

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

Category	Date of grant	Exercise price HK$ (note ii)	Exercisable period	Number of option shares: Outstanding at 1.4.2008	Adjustment for rights issue at 1.4.2008 (note ii)	Lapsed during the year	Outstanding at 1.4.2009	Lapsed during the year	Outstanding at 31.3.2010
Directors									
Mr. Li Ming Hung	9 October 2003	2.85	9.10.2004 – 29.11.2011	500,000	33,246	–	533,246	–	**533,246**
	4 June 2004	2.95	7.6.2004 – 29.11.2011	1,000,000	66,491	–	1,066,491	–	**1,066,491**
Mr. Chen Tien Tui	9 October 2003	2.85	9.10.2004 – 29.11.2011	500,000	33,246	–	533,246	–	**533,246**
	4 June 2004	2.95	7.6.2004 – 29.11.2011	1,000,000	66,491	–	1,066,491	–	**1,066,491**
Mr. So Kam Wah (note i)	23 May 2003	2.20	27.5.2003 – 29.11.2011	3,300,000	219,421	(3,519,421)	–	–	**-**
	9 October 2003	2.85	9.10.2004 – 29.11.2011	1,700,000	113,035	(1,813,035)	–	–	**-**
	4 June 2004	2.95	7.6.2004 – 29.11.2011	4,000,000	265,964	(4,265,964)	–	–	**-**
Mr. Lee Yuen Chiu, Andy	23 May 2003	2.20	27.5.2003 – 29.11.2011	1,500,000	99,736	–	1,599,736	–	**1,599,736**
	9 October 2003	2.85	9.10.2004 – 29.11.2011	3,500,000	232,719	–	3,732,719	–	**3,732,719**
	4 June 2004	2.95	7.6.2004 – 29.11.2011	4,000,000	265,964	–	4,265,964	–	**4,265,964**
Mr. Choi Lin Hung	23 May 2003	2.20	27.5.2003 – 29.11.2011	1,500,000	99,736	–	1,599,736	–	**1,599,736**
	9 October 2003	2.85	9.10.2004 – 29.11.2011	3,500,000	232,719	–	3,732,719	–	**3,732,719**
	4 June 2004	2.95	7.6.2004 – 29.11.2011	4,000,000	265,964	–	4,265,964	–	**4,265,964**
Employees	23 May 2003	2.20	27.5.2003 – 29.11.2011	23,100,000	1,535,947	–	24,635,947	–	**24,635,947**
	9 October 2003	2.85	9.10.2004 – 29.11.2011	38,500,000	2,559,908	(533,246)	40,526,662	(426,596)	**40,100,066**
	4 June 2004	2.95	7.6.2004 – 29.11.2011	39,100,000	2,599,803	(746,544)	40,953,259	(533,246)	**40,420,013**
				130,700,000	8,690,390	(10,878,210)	128,512,180	(959,842)	**127,552,338**
Exercisable at the end of the year				130,700,000			128,512,180		**127,552,338**
Weighted average exercise price (HK$)				2.93	2.74	2.69	2.75	2.91	**2.75**

notes:

(i) Mr. So Kam Wah's service contract was terminated on 22 January 2009.

(ii) As a result of the rights issue as set out in note 27, the exercise price of the share options was adjusted from HK$2.35, HK$3.04 and HK$3.15 to HK$2.20, HK$2.85 and HK$2.95 respectively and the total number of the outstanding share options under the Scheme was also adjusted accordingly based on the adjustment factor of rights issue.

29. Deferred Taxation

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

	Accelerated tax depreciation HK$'000	Withholding income tax HK$'000	Total HK$'000
At 1 April 2008	196	–	196
Charge to profit or loss	101	1,893	1,994
Effect of change in tax rate	(12)	–	(12)
At 31 March 2009	285	1,893	2,178
Charge to profit or loss	44	3,494	3,538
At 31 March 2010	**329**	**5,387**	**5,716**

At the end of the reporting period, the Group had unused tax losses of approximately HK$37,928,000 (2009: HK$38,568,000) available for offset against future profits and deductible temporary difference of approximately HK$51,469,000 (2009: HK$51,428,000) in respect of accelerated accounting depreciation. No deferred tax assets have been recognised in respect of the unused tax losses and the deductible temporary differences due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

According to the New EIT Law as mentioned in note 11, starting from 1 January 2008, 5% to 10% withholding income tax will be imposed on dividends payable to foreign shareholder's out of profits generated by the companies established in the PRC for the calendar year 2008 onwards. Deferred taxation has been provided for in respect of the undistributed profits from these PRC subsidiaries in the consolidated financial statements.

30. Major Non-cash Transactions

Details of scrip dividends in lieu of cash are set out in note 27.

31. Pledge of Assets

As at 31 March 2010, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2010 HK$'000	2009 HK$'000
Property, plant and equipment	**41,569**	56,837
Prepaid lease payment	**4,843**	34,382
	46,412	91,219
Assets classified as held for sale		
– property, plant and equipment	**14,166**	–
– prepaid lease payment	**13,952**	–
	28,118	–
	74,530	91,219

32. Commitments

(i) Capital commitments

	2010 HK$'000	2009 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	**41,618**	41,792

32. Commitments *(Continued)*

(ii) Operating lease commitments

The Group as lessee

	2010 HK$'000	2009 HK$'000
Minimum lease payments paid under operating leases in respect of premises and warehouses during the year	**7,479**	8,385

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:

	2010 HK$'000	2009 HK$'000
Within one year	**4,521**	4,488
In the second to fifth year inclusive	**859**	2,247
More five years	**–**	82
	5,380	6,817

Operating lease payment represents rental payable by the Group for its office premises, warehouse and machinery. Leases are negotiated for terms ranging from one to four years and rental is fixed during the lease period.

33. Related Party Disclosures

(i) During the year, the Group paid operating lease rental of approximately HK$108,000 (2009: HK$108,000) to Verdure Enterprises Limited ("Verdure"). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a director and a shareholder of the Company, and his family.

The payment of the above operating lease rental constitutes an exempted connected transaction under Chapter 14A of the Listing Rules.

(ii) On 27 October 2008, the Group entered into a master sale and purchase agreement ("Master Supply Agreement") with 南京新一棉紡織印染有限公司 Nanjing Synergy Textiles Limited ("Nanjing Synergy"). The issued share capital of Nanjing Synergy is indirectly owned as to 50% each by (a) a discretionary trust whose beneficiaries are the family members of Mr. Li Ming Hung and (b) a discretionary trust whose beneficiaries are the family members of Mr. Chen Tien Tui, both are directors of the Company. Pursuant to the Master Supply Agreement, Nanjing Synergy agreed to supply yarn to the Group and the purchases during the year were approximately HK$333,169,000 (2009: HK$144,318,000). As at 31 March 2010, the aggregate amount of purchase deposits placed by the Group in Nanjing Synergy was approximately HK$56,051,000 (2009: HK$40,061,000) which were included in deposits, prepayments and other receivables.

The transactions contemplated by the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

33. Related Party Disclosures *(Continued)*

(iii) On 1 April 2007, the Group entered into a master sale and purchase agreement ("Kimberly-Mayer Master Agreement") with 加美(清遠)制衣有限公司 Kimberly (Qing Yuan) Garment Limited ("Kimberly"). Kimberly is owned by a director of a subsidiary of the Company. Pursuant to the Kimberly-Mayer Master Agreement, Kimberly agreed to supply apparel products to the Group and the purchases during the year were approximately HK$69,816,000 (2009: HK$53,962,000). As at 31 March 2010, the aggregate amount of purchase deposits placed by the Group in Kimberly was approximately HK$5,518,000 (2009: HK$1,020,000) which were included in deposits, prepayments and other receivables.

The transactions contemplated by the Kimberly-Mayer Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(iv) On 25 September 2007, the Company and certain of its subsidiaries had conditionally agreed to provide guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited ("Ford Glory"), a subsidiary of the Company in which Mr. Choi Lin Hung, a director and a shareholder of the Company, has a 49% beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK$493 million in aggregate as at 31 March 2010 (2009: HK$588 million). The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. The provision of the guarantees constitutes connected transactions under Rule 14A.13(2) of the Listing Rules of the Stock Exchange. Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant subsidiaries of the Company.

(v) The remuneration of directors and other members of key management during the year was as follows:

	2010 HK$'000	2009 HK$'000
Short-term benefits	**17,058**	18,123
Post employment benefits	**250**	320
	17,308	18,443

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

34. Event after the Reporting Period

As announced by the Company on 3 June 2010, the Company has submitted an application to the Stock Exchange to seek for a separate listing on the Stock Exchange of the Group's garment products business. As at the date these financial statements are approved, the application is still in progress.

35. Particulars of Principal Subsidiaries

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

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Attributable equity held by the Company Directly %	Indirectly %	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	–	100	Trading of dyed yarn
CSG Apparel Inc.	Canada	Common stock CAD1	–	51	Trading of garment products
Elite Sound Investments Limited	Hong Kong	Ordinary HK$1	–	100	Investment holding
Ford Glory Holdings Limited	British Virgin Islands	Ordinary US$100	–	51	Investment holding
Ford Glory International Limited	Hong Kong	Ordinary HK$5,000,000	–	51	Trading of garment products
Glory Time Limited	Hong Kong	Ordinary HK$100	–	35.7 (note vi)	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	–	100	Provision of management services
PT. Victory Apparel Semarang	Indonesia	Ordinary US$300,000	–	51	Manufacture of garment products
Top Star Limited	Hong Kong	Ordinary HK$2	–	51	Property holding
V-Apparel International Limited	Hong Kong	Ordinary HK$100	–	100	Trading of garment products
Value Plus (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	51	Provision of quality inspection services
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred (note i) HK$8,000,000	–	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary US$6	100	–	Investment holding
Victory City Investments Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding

35. Particulars of Principal Subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Attributable equity held by the Company Directly %	Attributable equity held by the Company Indirectly %	Principal activities
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary US$2 Preference US$3,300 (note ii)	–	100	Investment holding and provision of subcontracting services
江門市新會區冠華針織廠有限公司 ("Xinhiu Victory City") (note iv)	PRC	US$20,944,510	–	100	Knitting, dyeing and finishing of fabric
江門市新會區揚名針織廠有限公司	PRC	(note iii)	–	100	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 (note iv)	PRC	US$6,595,167	–	100	Dyeing of yarn and provision of related subcontracting services
江門冠暉製衣有限公司 (note iv)	PRC	HK$30,000,000	–	80.4 (2009: 60)	Manufacture of garment products
福之源貿易(上海)有限公司 (note iv)	PRC	RMB1,000,000	–	51	Trading of garment products and accessories
江門市冠達紡織材料有限公司	PRC	(note v)	–	60	Mixing of chemicals

notes:

(i) The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of respective subsidiaries or to participate in any distribution on a winding-up.

(ii) The redeemable non-voting preference shares of VCOL, which are held by Messrs. Li Ming Hung, Chen Tien Tui and Choi Lin Hung, carry minimal right to receive notice of or to attend or vote at any general meeting of VCOL. On a winding-up, the holders of the redeemable non-voting preference shares shall be entitled to receive a return of the capital paid up on the redeemable non-voting preference shares held by them respectively.

(iii) The company is a co-operative joint venture established in the PRC. The verified paid up capital of 江門市新會區揚名針織廠有限公司 was approximately US$1,709,000 as at 31 March 2010, which was wholly contributed by the Group. Additional capital contribution by the Group during the year ended 31 March 1999, which amounted to approximately US$394,000, has not yet been verified as at 31 March 2010.

(iv) This company is a wholly foreign owned enterprise incorporated in the PRC with limited liability.

(v) The company is a co-operative joint venture newly established in the PRC at 14 July 2008. The verified paid up capital of 江門市冠達紡織材料有限公司 was approximately RMB10,000,000 as at 31 March 2010.

(vi) The company is 70% owned by Ford Glory Holdings Limited, a 51% owned subsidiary of the Group.

None of the subsidiaries had any debt securities subsisting at 31 March 2010 or at any time during the year.

The above table only lists 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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