


INTEGRATION SYNERGY

2011 ar 年報

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司 stock code 股份代號 ： 539

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 ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
CITIC Bank International Limited
Hang Seng Bank 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)
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
Australia and New Zealand Banking Group Limited
Bangkok Bank Public Company Limited
Wing Hang Bank, Limited
Chinatrust Commercial Bank, Ltd.

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

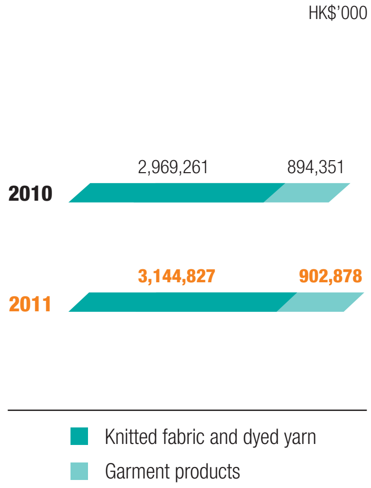
RESULTS

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**4,047,705**	3,863,612	4,090,493	4,104,773	3,892,044
Profit before tax	**369,983**	369,901	258,032	387,873	370,757
Income tax expense	**(21,765)**	(32,325)	(17,120)	(18,519)	(25,967)
Profit for the year	**348,218**	337,576	240,912	369,354	344,790
Attributable to:					
Owners of the Company	**334,015**	314,627	216,865	341,788	305,501
Non-controlling interests	**14,203**	22,949	24,047	27,566	39,289
	348,218	337,576	240,912	369,354	344,790
Distributions	**78,938**	21,210	–	99,375	91,951

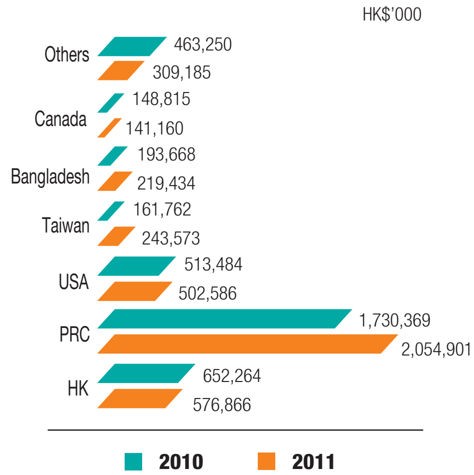
ASSETS AND LIABILITIES

	At 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**6,494,536**	5,704,997	5,396,052	5,608,436	4,655,392
Total liabilities	**(2,513,218)**	(2,484,945)	(2,523,838)	(3,099,371)	(2,642,602)
	3,981,318	3,220,052	2,872,214	2,509,065	2,012,790
Equity attributable to:					
Owners of the Company	**3,757,446**	3,077,840	2,729,883	2,391,639	1,922,412
Non-controlling interests	**223,872**	142,212	142,331	117,426	90,378
	3,981,318	3,220,052	2,872,214	2,509,065	2,012,790

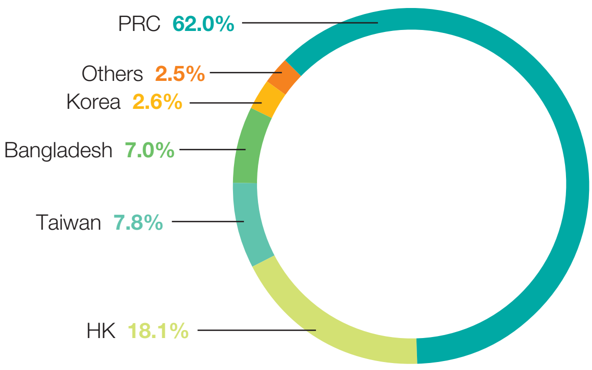
Revenue by Business Segments



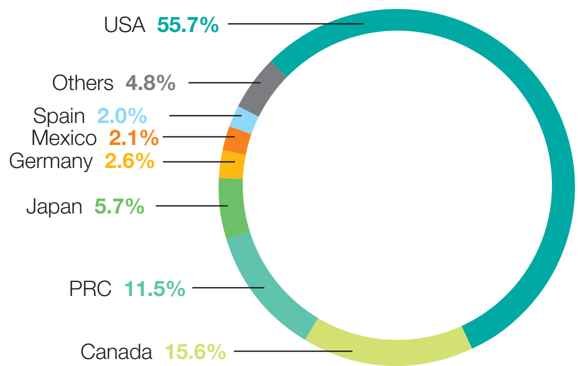
Revenue by Geographical Segments



Knitted fabric and dyed yarn



Garment products







Chairman's Statement

Turnover of the Group increased by 5% to HK$4 billion

On behalf of the board of Directors (the "Board") of Victory City International Holdings Limited (the "Company") and its subsidiary companies (the "Group"), it is my pleasure to present to our shareholders the annual results for the year ended 31 March 2011.

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 2011 to shareholders whose names appear on the register of members of the Company on 26 August 2011 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 ("Stock Exchange") of the listing of, and permission to deal in, the Shares to be issued pursuant thereto.

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 2011.

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

According to the latest statistics released by China's General Administration of Customs, the total export value of textile and apparels in 2010 amounted to US$206.5 million, representing an encouraging increase of 23.6%. This marked an impressive business rebound for the Chinese textile enterprises; however operating pressures were still evident with the industry's profitability being undermined by escalating raw material and fuel prices, along with the substantial appreciation of the Renminbi ("RMB"). Nevertheless, the Group continued to

exhibit its leadership with our well-formulated marketing strategies and a good cash-flow system, thus attaining a set of satisfactory financial and operating results for the year despite market difficulties.

For the year ended 31 March 2011, the Group's consolidated revenue was HK$4,048 million, representing a slight growth of 4.8% in comparison to the previous corresponding year (2010: HK$3,864 million). Profit attributable to owners of the Company was HK$334 million, which included the net gain on fair value changes of derivative financial instruments and structured borrowings of HK$16.1 million (2010: HK$26.9 million) and one-off listing expenses of HK$13.1 million incurred during the spin-off of our garment business, and staff option expenses of HK$8.2 million. Hence, profit from normal operations was HK$339.2 million after adjusting the above-mentioned non-operating gains and losses, representing a growth of 17.9% from the previous corresponding year (2010: HK$287.7 million). Earnings per share was HK29.5 cents (2010: HK30.4 cents).

Textile Business

Production and sales of knitted fabric and dyed yarn are the principal operations of the Group and accounted for approximately 77.7% of the Group's consolidated revenue, with the remaining 22.3% from the garment business.

Despite the recovering export demand, the textile industry continues to face challenges brought forth from the operating environment in the PRC. In view of rising raw material and fuel costs, sales strategies were readjusted to place preference on high-margin orders that allowed the Group to pass on increased costs to our customers. Furthermore, the Group proactively procured relatively low-price cotton yarn at the beginning of the year to combat fluctuating raw material prices and to maintain inventory at an optimal level for continued order flow and production. Such strategies maximised profitability and contributed in maintaining our margins at stable levels.

The continuous RMB appreciation also manifested significant operational risks on the vitality of the export market. However, with our balanced focus between the PRC domestic market and export market, the Group was able to utilise a natural hedging to mitigate most, if not all, of the exchange risks. Moreover, the Group streamlined operations to enhance production efficiency, and reduced staff headcounts accordingly to lower its overall administration costs.

Garment Business

Our garment arm, Ford Glory Group Holdings Limited ("FGG") was successful spun off from the Group and listed on the Stock Exchange (stock code: 1682) in early October 2010. FGG has large scale production facilities in the PRC and Indonesia, offering an array of value services to customers worldwide, ranging from design and production to logistics and delivery.

During the year, the garment industry's profitability was succumbed to external operating pressures. However, the management's dedicated efforts in sustaining business momentum through product mix improvements and cost management yielded positive results. For the year, FGG's revenue slightly increased by 1% to HK$903 million and excluding the one-off listing expense of HK$13.1 million, net profit was HK$39.5 million representing a 11.4% increase as compared with the previous corresponding year.

With aspirations to tap into the PRC's booming retail market, FGG launched two self-owned brands: "teelocker" designer t-shirts and "Monstons" innerwear and homewear, to capture the region's explosive consumption demand in the year. Launched in July 2010, "Monstons" has already received meaningful orders from large supermarket chains and established 300 outlets nationally. The progress was very encouraging and solidified our business direction.

In September 2010, we successfully acquired 70% stake in "teelocker", a retail t-shirt brand mainly sold on the internet. In line with the growing popularity of online shopping, FGG revamped the "teelocker" website into a trendy and interactive portal for designers and shoppers worldwide to exchange ideas. Furthermore, "teelocker" has recently registered at "taobao.com", the largest and most popular shopping website in the PRC, to utilise the expanding internet business platform. To effectively promote the brand nationally, further marketing campaigns will be initiated in the coming year.

Share Placement

On 13 October 2010, the Group completed a share placement of 130 million new shares at HK$1.83 each, with net proceeds amounting to approximately HK$231.3 million. The successful placement reflected the market's confidence in our business direction and will provide sufficient funding for future developments.

PROSPECTS

The management expects cotton yarn prices to remain fluctuant in the foreseeable future hence the Group will continue to adopt a flexible yet cautious cotton yarn purchasing strategy in accordance to market conditions. To further sustain our cost advantages, the Group proposed to acquire 100% equity interest in an upstream spinning mill ("Target Company"). The Target Company is principally engaged in the manufacture and sale of yarn and has been a long-term supplier of the Group. Taking into account the Group's growing demand and consumption of cotton yarn, the acquisition will represent a good opportunity to vertically integrate our production processes. The integration will help stabilise our supply chain and strengthen our control on raw material costs, thus enhancing our margins in the long run. The acquisition constitutes as a discloseable and connected transaction for the Company under the Listing Rules of the Stock Exchange, and is subject to the approval of independent shareholders at a special general meeting to be held. A circular in relation to such transaction will be issued by the Company.

In contrast to the tardy recovery in Western economies, the PRC domestic market remains robust and will continue to be the Group's key region of expansion for the year 2011/2012. Leveraging on the country's rapid economic development and burgeoning consumption power, greater demand for quality textile and garments is projected. During the year, the Group has obtained increased orders from leading PRC sportswear and casual wear brands, thus solidifying our extending reach in the domestic market. The management believes that our growing focus in the region will also lessen the impacts of the RMB appreciation and improve our margins in general.

For our garment segment, FGG is establishing two new in-house production bases in Jordan and Cambodia respectively, where no import duty is imposed by the USA and Europe in which our major end-customers cluster. The new facilities will commence operation in the second half of 2011 and is expected to increase our overall capacity by 30%, assisting us to grasp the expected increase in orders following the gradual global recovery.

Going forward, the Directors believe that the overall business outlook will remain challenging. However, with our strong business foundation and competent business strategies, the Group is well-positioned to face all obstacles ahead to sustain our business model and to maximise profitability for our shareholders in the long run.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management and staff as their dedication and commitment contributed significantly to the Group's growth. I would also like to extend my thanks to our customers, suppliers, business partners and shareholders for their continuous support.

Li Ming Hung
Chairman

Hong Kong
28 June 2011

Management Discussion & Analysis

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2011 increased by 4.8% to HK$4,048 million. Revenue of production and sale of knitted fabric and dyed yarn increased by 5.9% to HK$3,145 million, representing 77.7% of the consolidated revenue whereas revenue of garment sourcing, manufacturing and exporting business was HK$903 million, slightly increased by 1% as compared with last year and representing 22.3% of the consolidated revenue.

During the year under review, surging raw material costs and fuel costs together with the appreciation of Renminbi added pressure to our operating environment. Our sales strategies were readjusted to place preference on high-margin orders. In addition, the Group has maintained a well-stocked inventory by proactively purchasing low-price cotton yarn to offset the rising material costs. Gross profit margin for the Group was 19.0% as compared with 18.6% of the previous year whereas net profit margin increased from 8.1% to 8.3%, 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 2011, there was a gain of HK$15.7 million (2010: HK$27.0 million).

Administrative expenses increased from HK$256.3 million in 2010 to HK$280.3 million in 2011 mainly due to a share-based payment of HK$8.2 million for granting of share options to staff of a subsidiary.

Finance costs increased from HK$47.7 million in 2010 to HK$53.4 million in 2011, mainly due to the increase in interest rates of both local and PRC banks. 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 2011, the Group had total assets of HK$6,494,536,000 (2010 (restated): HK$5,704,997,000) which were financed by current liabilities of HK$1,723,700,000 (2010 (restated): HK$1,556,467,000), long term liabilities of HK$789,518,000 (2010 (restated): HK$928,478,000) and shareholders' equity of HK$3,757,446,000 (2010 (restated): HK$3,077,840,000). The current ratio was approximately 2.4 (2010: 2.2) 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 23% (2010: 35%). 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, Renminbi and US dollars. The fluctuations in the US dollars and Renminbi 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$94.9 million on additions to property, plant and equipment.

As at 31 March 2011, the Group had capital commitments of approximately HK$48.2 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 2011, certain property, plant and equipment and prepaid lease payments of the Group with net book value of approximately HK$54.6 million (2010: HK$74.5 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2011, total number of employees of the Group were approximately 170 in Hong Kong and Macau (2010: 160), approximately 5 (2010: 5) in the USA and Canada, approximately 1,160 in Indonesia (2010: 1,065) and approximately 6,325 in the PRC (2010: 6,200). 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.

Major Customers and Suppliers

In the year under review, sales to the five largest customers accounted for 20.7% of the total revenue for the year and sales to the largest customer included therein accounted for 9.6%.

Purchase from the five largest suppliers accounted for 25.9% of the total purchases for the year and purchase from the largest supplier included therein accounted for 11.4%.

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 60, is the Chairman of the Company and a co-founder of the Group. He has over 34 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group. Mr. Li is currently a Non-executive Director of Ford Glory Group Holdings Limited ("FGG"), a subsidiary of the Company listed on the Main Board of the Stock Exchange.

Mr. Chen Tien Tui, aged 62, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 32 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group. Mr. Chen is currently a Non-executive Director of FGG. He is an independent Non-executive Director of China Lilang Limited which is a company listed on the Main Board of the Stock Exchange.

Mr. Lee Yuen Chiu, Andy, aged 46, is an Executive Director of the Company. He has over 25 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 49, 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. Mr. Choi is currently the Chairman, Chief Executive Officer and an Executive Director of FGG.

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 60, 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 63, 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 56, 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 44, 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 22 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 56, is the Marketing Director of Ford Glory International Limited. Mr. Ng joined the Group in 2001 and has over 35 years experience in garment manufacturing and sourcing areas, he is responsible for overseeing the daily operation and marketing of the garment segment.

Mr. Sy Wing Shuen, aged 57, is the Sales Manager of the Group. He has over 36 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 45, is currently the Company Secretary of FGG and 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 38, is the General Manager of Champion Fortune 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.

Directors' Report

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

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 37 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 40. 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 26 August 2011 amounting to approximately HK$48,902,000. Details of the dividends for the year are set out in note 12 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 2011, the register of members of the Company will be closed from 24 August 2011 to 26 August 2011 (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 2011, 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 23 August 2011.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$94,888,000 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 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2011, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$876,250,000.

SHARE CAPITAL

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

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. Chen Tien Tui, Mr. Choi Lin Hung and Mr. Kan Ka Hon 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 35 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

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

In the opinion of the independent non-executive Directors, these transactions entered into by the Group were:

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

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

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

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

In addition to the connected transactions as set out in note 35 to the consolidated financial statements, certain subsidiaries of the Group had transactions with subsidiaries of Ford Glory Group Holdings Limited ("FGG") which is a non-wholly owned subsidiary of the Company. These transactions are also disclosed as connected transactions in accordance with the requirements of the Listing Rules as follows:

	2011	2010
	HK$'000	HK$'000
Sale of fabric	**36,467**	32,016
Sale of yarn	**1,379**	1,706
Supply of steam and electricity	**3,674**	3,931

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 2011, 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	196,386,000 ordinary shares of HK$0.01 each of the Company ("Shares") (L) (note 2)	–	16.06% (note 27)
	The Company	Beneficial owner	–	1,599,737 Shares (L) (note 4)	0.13%
	Victory City Company Limited (note 19)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited (note 19)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
	Ford Glory Group Holdings Limited (note 19)	Founder of a trust	3,512,080 ordinary shares of HK$0.01 each (L) (note 23)	–	0.80%
	Ford Glory Group Holdings Limited (note 19)	Beneficial owner	277,360 ordinary shares of HK$0.01 each (L)	–	0.06%
Chen Tien Tui	The Company	Founder of a trust	196,386,000 Shares (L) (note 3)	–	16.06% (note 27)
	The Company	Beneficial owner	1,715,000 Shares (L)	–	0.14%
	The Company	Beneficial owner	–	1,599,737 Shares (L) (note 4)	0.13%
	Victory City Company Limited (note 19)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited (note 19)	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
	Ford Glory Group Holdings Limited (note 19)	Founder of a trust	3,512,080 ordinary shares of HK$0.01 each (L) (note 24)	–	0.80%
	Ford Glory Group Holdings Limited (note 19)	Beneficial owner	309,000 ordinary shares of HK$0.01 each (L)	–	0.07%
Choi Lin Hung	The Company	Beneficial owner	7,980,000 Shares (L)	–	0.65%
	The Company	Beneficial owner	–	9,598,419 Shares (L) (note 5)	0.79%
	Victory City Overseas Limited (note 19)	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.2%
	Ford Glory Group Holdings Limited (note 19)	Interest of controlled corporation	317,552,000 ordinary shares of HK$0.01 each (L) (note 6)	–	72.5%
	Sure Strategy Limited (note 19)	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (note 7)	–	49%
	Ford Glory Holdings Limited (note 19)	Interest of controlled corporation	100 shares of US$1.00 each (L) (note 8)	–	100%
	Brilliant Fashion Inc. (note 19)	Interest of controlled corporation	100 common shares of no par value (L) (note 13)	–	100%
	CSG Apparel Inc. (note 19)	Interest of controlled corporation	One common stock of CAD1.00 (L) (note 9)	–	100%
	Ford Glory International Limited (note 19)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (note 14)	–	100%
	Glory Time Limited (note 19)	Interest of controlled corporation	70 ordinary shares of HK$1.00 each (L) (note 15)	–	70%
	Mayer Apparel Limited (note 19)	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) (note 12)	–	51%

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
	PT. Victory Apparel Semarang (note 19)	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) (note 11)	–	100%
	Surefaith Limited (note 19)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (note 14)	–	100%
	Top Star Limited (note 19)	Interest of controlled corporation	2 ordinary shares of HK$1.00 each (L) (note 14)	–	100%
	Top Value Inc. (note 19)	Interest of controlled corporation	200 common shares of no par value (L) (note 13)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (note 19)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (note 16)	–	100%
	Victory Apparel Jordan Manufacturing Ltd. (note 19)	Interest of controlled corporation	50,000 ordinary shares of JD$1.00 each (L) (note 10)	–	100%
	Wealth Choice Limited (note 19)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (note 14)	–	100%
	福之源貿易(上海)有限公司 (notes 19 and 21)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (note 9)	–	100%
	Gojifashion Inc. (note 20)	Interest of controlled corporation	100 common shares of no par value (L) (note 13)	–	50%
	Happy Noble Holdings Limited (note 19)	Interest of controlled corporation	70 ordinary shares of US$1.00 each (L) (note 14)	–	70%
	Sky Winner Investment Limited (note 19)	Interest of controlled corporation	100 ordinary shares of HK$1.00 each (L) (note 17)	–	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
	福源創業信息咨詢服務(深圳)有限公司 (notes 19 and 22)	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) (note 9)	–	100%
	Rocwide Limited (note 19)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (note 14)	–	100%
	江門冠暉制衣有限公司 (note 19)	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) (note 18)	–	100%
	One Sino Limited (note 19)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (note 14)	–	100%
	Ford Glory (Cambodia) Manufacturing Limited (note 19)	Interest of controlled corporation	1,000 ordinary shares of US$1,000.00 each (L) (note 25)	–	100%
	藝田貿易(上海)有限公司 (note 19)	Interest of controlled corporation	Registered capital of HK$5,000,000 (L) (note 26)	–	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,598,419 Shares (L) (note 5)	0.79%
Phaisalakani Vichai	The Company	Beneficial owner	306,000 Shares (L)	–	0.03%

Notes:

1. The letter "L" represents the Directors' 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 share 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 were held by Merlotte Enterprise Limited and Sure Strategy Limited, of which Sure Strategy Limited was owned as to 49% by Merlotte Enterprise Limited, a wholly-owned subsidiary of Mr. Choi Lin Hung, and as to 51% by Victory City Investments Limited, a wholly-owned subsidiary of the Company.

7. These shares were held by Merlotte Enterprise Limited, a wholly-owned subsidiary of Mr. Choi Lin Hung.

8. These shares were held by Ford Glory Group Holdings Limited.

9. 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.

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

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

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

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

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

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

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

17. These shares were held by Happy Noble Holdings Limited.

18. The registered capital was beneficially owned as to 40% by Ford Glory Holdings Limited and as to 60% by Rocwide Limited.

19. These companies are subsidiaries of the Company.

20. Although this company is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

21. Ford Glory Trading (Shanghai) Limited is the unofficial English translation of 福之源貿易(上海)有限公司.

22. Ford Glory (Shenzhen) International Ltd. is the unofficial English translation of 福源創業信息咨詢服務(深圳)有限公司.

23. These Shares were held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family.

24. These Shares were held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.

25. These shares were held by One Sino Limited.

26. This registered share capital of was beneficially owned by Sky Winner Investment Limited.

27. 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 2011, 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 2011, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person	**Number of Shares** (note 1)	**Capacity**	**Approximate percentage of interest**
Pearl Garden Pacific Limited	196,386,000 (L)	Beneficial owner (note 2)	16.06%
Cornice Worldwide Limited	196,386,000 (L)	Interest of controlled corporation (note 2)	16.06%
Madian Star Limited	196,386,000 (L)	Beneficial owner (note 3)	16.06%
Yonice Limited	196,386,000 (L)	Interest of controlled corporation (note 3)	16.06%
Trustcorp Limited	392,772,000 (L)	Trustee (notes 2, 3 & 4)	32.12%
Newcorp Ltd.	392,772,000 (L)	Interest of controlled corporation (notes 2, 3 & 4)	32.12%
Ho Yuen Mui, Shirley	197,985,737 (L)	Interest of spouse (note 5)	16.19%
Or Kwai Ying	199,700,737 (L)	Interest of spouse (note 6)	16.33%
Templeton Asset Management Limited	195,624,878 (L)	Investment manager	16.00%
Value Partners Limited	118,811,662 (L)	Investment manager	9.72%

Notes:

1. The letter "L" represents the person's interests in the Shares 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 2011, 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 30 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 30 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 2011 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 2011.

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
28 June 2011

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 March 2011, 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 2011.

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 16 to 18 of the annual report of the Company for the year ended 31 March 2011. 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 2012; 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$2,595,000 for the Group;

Non-audit services of approximately HK$4,501,000 including:
- reporting accountant in relation to the global offering of a non-wholly owned subsidiary
- 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 40 to 110, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong
28 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	7	**4,047,705**	3,863,612
Cost of sales		**(3,277,190)**	(3,144,737)
Gross profit		**770,515**	718,875
Other income		**14,120**	3,773
Other gains and losses	9	**19,285**	21,889
Distribution and selling expenses		**(87,180)**	(70,584)
Administrative expenses		**(280,261)**	(256,316)
Listing expenses of a non-wholly owned subsidiary		**(13,110)**	–
Interest on bank borrowings wholly repayable within five years		**(53,386)**	(47,736)
Profit before tax		**369,983**	369,901
Income tax expense	10	**(21,765)**	(32,325)
Profit for the year	11	**348,218**	337,576
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year		**160,126**	(2,123)
Total comprehensive income for the year		**508,344**	335,453
Profit for the year attributable to:			
Owners of the Company		**334,015**	314,627
Non-controlling interests		**14,203**	22,949
		348,218	337,576
Total comprehensive income attributable to:			
Owners of the Company		**492,638**	312,504
Non-controlling interests		**15,706**	22,949
		508,344	335,453
Earnings per share	13		
Basic		**29.5 cents**	30.4 cents
Diluted		**29.5 cents**	N/A

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	14	2,325,219	2,308,700	2,473,252
Prepaid lease payments	15	21,500	20,783	21,273
Goodwill	16	6,185	6,185	6,185
Intangible asset	17	1,000	–	–
Other assets		18,916	–	–
Interest in a jointly controlled entity	18	–	–	–
Deferred tax assets	31	1,518	–	–
Deposit paid for acquisition of property, plant and equipment		9,778	1,859	4,306
		2,384,116	2,337,527	2,505,016
Current assets				
Inventories	19	2,239,743	1,680,996	1,357,908
Trade and bills receivables	20	916,238	975,169	875,514
Deposits, prepayments and other receivables	21	236,589	134,919	107,476
Prepaid lease payments	15	518	489	489
Derivative financial instruments	22	7,853	–	3,172
Bank balances and cash	23	709,479	547,779	546,477
		4,110,420	3,339,352	2,891,036
Assets classified as held for sale	24	–	28,118	–
		4,110,420	3,367,470	2,891,036
Current liabilities				
Trade payables	25	390,016	424,935	376,913
Other payables and accruals	26	213,958	144,904	112,063
Dividend payable		659	91	83
Taxation payable		75,120	78,734	60,583
Bank borrowings – amount due within one year	27	1,031,508	865,574	1,122,547
Structured borrowings – amount due within one year	28	12,439	19,947	18,792
Derivative financial instruments	22	–	–	11,680
		1,723,700	1,534,185	1,702,661
Liabilities associated with assets classified as held for sale	24	–	22,282	–
		1,723,700	1,556,467	1,702,661
Net current assets		2,386,720	1,811,003	1,188,375
Total assets less current liabilities		4,770,836	4,148,530	3,693,391

	Notes	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Capital and reserves				
Share capital	29	12,226	10,641	10,255
Reserves		3,745,220	3,067,199	2,719,628
Equity attributable to owners of the Company		3,757,446	3,077,840	2,729,883
Non-controlling interests		223,872	142,212	142,331
Total equity		3,981,318	3,220,052	2,872,214
Non-current liabilities				
Bank borrowings – amount due after one year	27	780,236	912,788	790,811
Structured borrowings – amount due after one year	28	–	9,974	28,188
Deferred tax liabilities	31	9,282	5,716	2,178
		789,518	928,478	821,177
		4,770,836	4,148,530	3,693,391

The financial statements on pages 40 to 110 were approved and authorised for issue by the Board of Directors on 28 June 2011 and are signed on its behalf by:

Li Ming Hung	**Chen Tien Tui**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company									Attributable to non-controlling interests			
	Share capital HK$'000 (note 29)	Share premium HK$'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	Sub-total HK$'000	Share option reserve of a subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2009	10,255	913,773	–	39	76,229	400,235	–	1,329,352	2,729,883	–	142,331	142,331	2,872,214
Profit for the year	–	–	–	–	–	–	–	314,627	314,627	–	22,949	22,949	337,576
Exchange difference arising on 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	22,949	335,453
Interim dividend declared	–	–	–	–	–	–	21,210	(21,210)	–	–	–	–	–
Acquisition of additional interest in a subsidiary (note ii)	–	–	1,961	–	–	–	–	–	1,961	–	(20,961)	(20,961)	(19,000)
Placing of new shares (note 29)	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 non-controlling interests	–	–	–	–	–	–	–	–	–	–	(2,107)	(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	142,212	3,220,052
Profit for the year	–	–	–	–	–	–	–	334,015	334,015	–	14,203	14,203	348,218
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year	–	–	–	–	–	158,623	–	–	158,623	–	1,503	1,503	160,126
Total comprehensive income for the year	–	–	–	–	–	158,623	–	334,015	492,638	–	15,706	15,706	508,344
2010 Final dividend declared	–	–	–	–	–	–	42,564	(42,564)	–	–	–	–	–
2011 Interim dividend declared	–	–	–	–	–	–	36,374	(36,374)	–	–	–	–	–
Dilution of interests in subsidiaries (note iii)	–	–	(7,491)	–	–	–	–	–	(7,491)	–	71,478	71,478	63,987
Placing of new shares, net of issue costs (note 29)	1,300	226,058	–	–	–	–	–	–	227,358	–	–	–	227,358
Issue of shares under scrip dividend scheme for 2010 final	184	27,992	–	–	–	–	(28,176)	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2011 interim	101	17,635	–	–	–	–	(17,736)	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(33,026)	–	(33,026)	–	–	–	(33,026)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(16,673)	(16,673)	(16,673)
Recognition of equity-settled share-based payments in a subsidiary	–	–	–	–	–	–	–	–	–	8,179	–	8,179	8,179
Lapse of share option in a subsidiary	–	–	–	–	–	–	–	127	127	(127)	–	(127)	–
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	3,097	3,097	3,097
At 31 March 2011	**12,226**	**1,239,774**	**(5,530)**	**39**	**76,229**	**556,735**	**–**	**1,877,973**	**3,757,446**	**8,052**	**215,820**	**223,872**	**3,981,318**

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 relates to the 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.

(iii) On 5 October 2010, a subsidiary of the Company, FGG issued 118,000,000 new shares at HK$0.6 per share as part of its scheme to list its shares on the Stock Exchange (the "Spin-off"). Pursuant to the Spin-off, FGG raised gross proceeds of HK$70,800,000 before transaction cost of HK$6,813,000 and the Company's effective interest in FGG was diluted from 51% to 37.26%. The Company retained control over FGG through its non-wholly owned subsidiary, Sure Strategy Limited, which held 71.96% shareholding of FGG. The difference between the net proceeds from the Spin-Off and the adjustment to the non-controlling interests of approximately HK$7,491,000 has been recognised in special reserve.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before tax	369,983	369,901
Adjustments for:		
Depreciation of property, plant and equipment	208,009	204,729
(Gain) loss on fair value changes of structured borrowings	(322)	101
Gain on disposal of property, plant and equipment and prepaid lease payments	(579)	(292)
Gain on fair value changes of derivative financial instruments	(15,731)	(26,996)
Interest income	(1,953)	(806)
Interest on bank borrowings	53,386	47,736
Recognition of equity-settled share-based payments in a subsidiary	8,179	–
Release of prepaid lease payments	501	490
(Reversal of) impairment loss recognised on receivables	(1,110)	1,868
Others	709	–
Operating cash flows before working capital changes	621,072	596,731
Increase in inventories	(537,721)	(326,874)
Decrease (increase) in trade receivables	71,106	(103,094)
Increase in deposits, prepayments and other receivables	(98,296)	(27,443)
(Decrease) increase in trade payables	(39,124)	51,019
Increase in other payables and accruals	67,018	35,741
Increase in derivative financial instruments	7,878	18,488
Cash generated from operations	91,933	244,568
Interest paid on bank borrowings	(53,386)	(47,736)
Hong Kong Profits Tax paid	(12,775)	(773)
PRC Enterprise Income Tax paid	(12,586)	(10,449)
Overseas tax (paid) refund	(241)	586
Interest received	1,953	806
NET CASH FROM OPERATING ACTIVITIES	14,898	187,002
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and long-term assets	(93,056)	(64,630)
Increase in long term assets	(18,916)	–
Deposit paid for acquisition of property, plant and equipment	(9,778)	(1,859)
Purchase of intangible assets	(502)	–
Proceeds from disposal of property, plant and equipment	26,356	825
NET CASH USED IN INVESTING ACTIVITIES	(95,896)	(65,664)

	2011 HK$'000	2010 HK$'000 (restated)
FINANCING ACTIVITIES		
Proceeds from placing of new shares, net of issue costs	227,358	47,080
New bank loans raised	218,912	1,174,089
Net amount of bills, import loans and trust receipts loans raised	80,214	4,060
Net proceeds from dilution of interests in subsidiaries	63,987	–
Capital contribution by non-controlling shareholders	3,097	–
Repayment of bank loans	(264,508)	(1,291,406)
Dividend paid to the Company's shareholders	(33,026)	(13,580)
Repayment of mortgage loans	(20,618)	(2,357)
Repayment of structured borrowings	(17,160)	(17,160)
Dividend paid to non-controlling shareholders	(16,673)	(2,107)
Acquisition of additional interest in a subsidiary	–	(19,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	241,583	(120,381)
NET INCREASE IN CASH AND CASH EQUIVALENTS	160,585	957
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	547,779	546,477
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,115	345
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	709,479	547,779

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")

New and revised Standards and Interpretations applied in the current year

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

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

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

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

Amendments to HKAS 17 Leases

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

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 31 March 2011 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$28,622,000 and HK$13,923,000 as at 1 April 2009 and 31 March 2010 respectively being reclassified to property, plant and equipment, and release of prepaid lease payments of approximately HK$747,000 for the year ended 31 March 2010 being reclassified to depreciation of property, plant and equipment.

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

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

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

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

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$97,835,000 and HK$39,820,000 have been reclassified from non-current liabilities to current liabilities as at 31 March 2010 and 1 April 2009 respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$17,922,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

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

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

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6 for details).

Summary of the effects of the above changes in accounting policies

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

	At 1.4.2009 (originally stated)	Adjustments	At 1.4.2009 (restated)	At 31.3.2010 (originally stated)	Adjustments	At 31.3.2010 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	2,444,630	28,622	2,473,252	2,294,777	13,923	2,308,700
Prepaid lease payments	50,384	(28,622)	21,762	35,195	(13,923)	21,272
Bank borrowings – current	1,082,727	39,820	1,122,547	767,739	97,835	865,574
Bank borrowings – non-current	830,631	(39,820)	790,811	1,010,623	(97,835)	912,788
Total effects on net assets	4,408,372	–	4,408,372	4,108,334	–	4,108,334

New and revised Standards and Interpretation issued but not yet effective

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

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

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

New and revised Standards and Interpretation issued but not yet effective (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the 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.

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

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

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

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

Business combinations

Business combinations that took place on or after 1 April 2010

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

Business combinations that took place prior to 1 April 2010

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset

Intangible asset acquired separately

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts 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 recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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, if any.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 receivables as incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the 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 (translation reserves).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interest in a jointly controlled entity, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Financial instruments

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

Effective interest method

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

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 and bills 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.

For financial assets, objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity instruments

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.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

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. 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 collateralized borrowing for proceeds received.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. 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 2011, the carrying amount of trade and bills receivables was HK$916,238,000 (2010: HK$975,169,000) (net of allowance for doubtful debts of HK$4,031,000 (2010: HK$5,640,000)).

Impairment loss recognised on inventories

Management reviews the inventories listing at the end of each reporting period, and impairs obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise. At 31 March 2011, the carrying amount of inventories was HK$2,239,743,000 (2010: HK$1,680,996,000).

Income taxes

As at 31 March 2011, deferred tax asset in relation to unused tax losses of HK$38,220,000 (2010: HK$37,928,000) and deductible temporary difference of HK$52,674,000 (2010: HK$51,469,000) in respect of accelerating accounting depreciation (see note 31) 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 entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in notes 27 and 28, net of cash and cash equivalents disclosed in note 23, and equity attributable to owners of the Company, comprising issued share capital, 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

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,628,912	1,555,021
FVTPL		
Derivative financial instruments	7,853	–
Financial liabilities		
Amortised cost	2,202,276	2,232,339
FVTPL		
Structured borrowings (note)	12,439	29,921

Note:

Structured borrowings

	2011 HK$'000	2010 HK$'000
Difference between carrying amount and outstanding principal amount		
At fair value	12,439	29,921
Outstanding principal at end of the reporting period	(12,480)	(29,640)
	(41)	281

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 and bills 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

Some subsidiaries of the Group are operating outside Hong Kong and usually have their local currency as their functional currencies.

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to risk due to changes in foreign exchange rates. The Group entered forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB and USD.

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	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
USD	64,848	114,025	70,692	175,110
RMB	2	19	15,905	48,879
HK$	73,888	98,178	36,246	61,725
Pound Sterling ("GBP")	–	–	7,249	13,021
Canadian Dollar ("CAD")	–	–	87	4,253
Euro Dollar ("EURO")	–	–	638	1,627

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD, RMB, HKD, GBP and CAD.

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

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

Other than the fluctuation of HKD against USD, the following table details the Group's sensitivity to a 5% (2010: 5%) decrease in the functional currency of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currencies rates. A 5% strengthening of the foreign currencies against the functional currencies of relevant Group entities will give rise to exchange gain as follows, and vice versa.

	2011 HK$'000	2010 HK$'000
Exchange gain in relation to:		
– RMB	795	2,443
– GBP	362	651
– CAD	236	213
– EURO	2	52

For the outstanding structured currency forward contracts, if USD was strengthened against RMB by 5%, the profit for the year ended 31 March 2011 would decrease by approximately HK$51,513,000.

These structured currency forward contracts contain knock out features. Because of the knock out features in the contracts, the potential gain on a weakening of USD against RMB by 5% will be insignificant.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, bank borrowings and structured borrowings (see notes 23, 27 and 28 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 28. Other than the structured borrowings, the bank borrowings (note 27) 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 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 Hong Kong Interbank Offered Rate ("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$9,059,000 (2010: HK$8,892,000). 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 28, 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 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. This is mainly attributable to the Group's exposure to interest rates on its structured borrowings.

No sensitivity analysis was presented for the outstanding structured borrowings for the year ended 31 March 2011 as the impact is insignificant.

Credit risk

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

In order to 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. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

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

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

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade and other payables	–	176,751	150,804	62,977	–	390,532	390,532
Bank borrowings	2.75%	892,908	143,353	93,759	801,692	1,931,712	1,811,744
		1,069,659	294,157	156,736	801,692	2,322,244	2,202,276
Structured borrowings	2.25%	–	6,254	6,289	–	12,543	12,439

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2010 HK$'000
2010 (restated)							
Non-derivative financial liabilities							
Trade and other payables	–	153,458	234,164	44,073	–	431,695	431,695
Bank borrowings	1.83%	767,842	246,144	82,608	929,492	2,026,086	1,778,362
Liabilities associated with assets classified as held for sales	2.67%	97	22,334	–	–	22,431	22,282
		921,397	502,642	126,681	929,492	2,480,212	2,232,339
Structured borrowings	2.25%	–	10,030	10,086	10,198	30,314	29,921

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Bank loans with a repayable on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2011 and 31 March 2010, the aggregate outstanding principal amounts of these bank loans amounted to HK$890,866,000 and HK$766,673,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be fully repaid in five (2010: five) years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$903,362,000 (2010: HK$775,526,000).

(c) Fair value

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

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

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

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).

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

	2011 Level 1 HK$'000	2011 Level 2 HK$'000	2011 Level 3 HK$'000	2011 Total HK$'000
Financial assets at FVTPL				
Derivative financial instruments	–	–	7,853	7,853
Financial liabilities at FVTPL				
Structured borrowings	–	12,439	–	12,439

	2010 Level 1 HK$'000	2010 Level 2 HK$'000	2010 Level 3 HK$'000	2010 Total HK$'000
Financial liabilities at FVTPL				
Structured borrowings	–	29,921	–	29,921

Reconciliation of Level 3 fair value measurements of financial assets

	Structured currency forward contracts HK$'000
At 1 April 2009 and 31 March 2010	–
Fair value gain recognised in profit or loss	15,731
Settlement	(7,878)
At 31 March 2011	7,853

The total gain of approximately HK$15,731,000 for the year included in profit or loss represent the total fair value gain relates to the structured currency forward contracts held at the end of the reporting period (2010: Nil) that are included in "Other gains and losses".

7. REVENUE

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

	2011 HK$'000	2010 HK$'000
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	3,144,827	2,969,261
Production and sale of garment products and provision of quality services	902,878	894,351
	4,047,705	3,863,612

8. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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 2011

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	3,144,827	902,878	4,047,705	–	4,047,705
Inter-segment sales	37,846	–	37,846	(37,846)	–
Total	3,182,673	902,878	4,085,551	(37,846)	4,047,705
RESULTS					
Segment results	385,791	57,258	443,049	–	443,049
Unallocated corporate income					18,594
Unallocated corporate expenses					(38,274)
Finance cost					(53,386)
Profit before tax					369,983

8. SEGMENT INFORMATION (continued)

Year ended 31 March 2010

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total 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)	–
Total	3,001,277	894,351	3,895,628	(32,016)	3,863,612
RESULTS					
Segment results	353,255	49,634	402,889	–	402,889
Unallocated corporate income					26,995
Unallocated corporate expenses					(12,247)
Finance cost					(47,736)
Profit before tax					369,901

Segment profit represents the profit earned by each segment without allocation of gain (loss) on disposal of property, plant and equipment and prepaid lease payments, rental income, gain on fair value changes of derivative financial instruments, central administration costs and finance costs. This is the measure reported to the 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 2011

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	5,360,789	415,572	5,776,361
Unallocated assets			718,175
Consolidated total assets			6,494,536
LIABILITIES			
Segment liabilities	513,581	89,825	603,406
Unallocated liabilities			1,909,812
Consolidated total liabilities			2,513,218

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

At 31 March 2010

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	4,778,816	349,177	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

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

- all assets other than bank balances and cash, derivative financial instruments, deferred tax assets, assets classified as held for sale, corporate assets and assets of non-core businesses are allocated to operating segments, and

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

8. SEGMENT INFORMATION (continued)

Other segment information

At 31 March 2011

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets (note)	85,769	10,119	95,888	–	95,888
Depreciation	192,646	15,363	208,009	–	208,009
Gain on disposal of property, plant and equipment and leasehold land	71	508	579	–	579
Gain on fair value changes of structured borrowings	–	–	–	322	322
Release of prepaid lease payments	409	92	501	–	501

At 31 March 2010 (restated)

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets (note)	54,631	44,180	98,811	–	98,811
Depreciation (restated)	190,967	13,762	204,729	–	204,729
Gain (loss) on disposal of property, plant and equipment	313	(21)	292	–	292
Loss on fair value changes of structured borrowings	–	–	–	(101)	(101)
Impairment loss recognised on receivables	1,085	808	1,893	–	1,893
Reversal of impairment loss recognised on receivables	–	25	25	–	25
Release of prepaid lease payments (restated)	445	45	490	–	490

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

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

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong, the People's Republic of China ("PRC"), Canada, the United States of America ("USA"), Bangladesh and Taiwan.

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

	Revenue from external customers		Non-current assets	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000 (restated)
Hong Kong	576,866	652,264	53,539	46,329
PRC	2,054,901	1,730,369	2,296,345	2,273,491
USA	502,586	513,484	102	231
Taiwan	243,573	161,762	–	–
Bangladesh	219,434	193,668	–	–
Canada	141,160	148,815	–	–
Others	309,185	463,250	13,696	17,476
	4,047,705	3,863,612	2,363,682	2,337,527

Information about major customers

None of the customers contributed over 10% of the Group's total annual revenue for each of the two years ended 31 March 2011.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting and quality services.

9. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Gain on fair value changes of derivative financial instruments	15,731	26,996
Gain (loss) on fair value changes of structured borrowings	322	(101)
Gain on disposal of property, plant and equipment and leasehold land	579	292
Net foreign exchange gain (loss)	1,543	(3,430)
Reversal of (impairment loss) recognised on receivables	1,110	(1,868)
	19,285	21,889

10. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
The tax charge comprises:		
Current tax:		
Current year		
– Hong Kong Profits Tax	14,878	10,600
– Enterprise Income Tax in the PRC attributable to subsidiaries	16,878	15,599
– Overseas income tax	151	226
	31,907	26,425
(Over) underprovision in respect of prior years	(12,190)	2,362
	19,717	28,787
Deferred taxation (note 31)	2,048	3,538
	21,765	32,325

Hong Kong

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

PRC

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

Macau

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

10. INCOME TAX EXPENSE (continued)

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:

	2011 HK$'000	2010 HK$'000
Profit before tax	369,983	369,901
Tax at the domestic income tax rate of 16.5%	61,047	61,034
Tax effect of expenses that are not deductible for tax purpose	5,323	3,913
Tax effect of income not taxable for tax purpose	(494)	(749)
Tax effect of utilisation of tax losses previously not recognised	(360)	(284)
Tax effect of tax losses not recognised	210	178
Income tax on concessionary rate and tax exemption	(39,480)	(40,015)
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,082	2,392
(Over) underprovision in respect of prior years	(12,190)	2,362
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	3,627	3,494
Tax charge for the year	21,765	32,325

Details of deferred taxation are set out in note 31.

11. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	17,041	15,854
Other staff costs	301,412	257,672
Total staff costs	318,453	273,526
Auditor's remuneration	2,853	2,558
Depreciation of property, plant and equipment	208,009	204,729
Release of prepaid lease payments	501	490
and after crediting:		
Government grants	4,880	–
Bank interest income	1,953	806

Included in the other staff costs is an aggregate amount of approximately HK$21,152,000 (2010: HK$13,693,000) in respect of contributions to 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.

11. PROFIT FOR THE YEAR (continued)

Notes:

(i) Information regarding directors' and employees' emoluments

Directors

The emoluments paid or payable to each of the seven (2010: seven) directors were as follows:

	Li Ming Hung HK$'000	Chen Tien Tui HK$'000	Lee Yuen Chiu, Andy HK$'000	Choi Lin Hung HK$'000	Kan Ka Hon HK$'000	Phaisalakani Vichai HK$'000	Kwok Sze Chi HK$'000	Total HK$'000
2011								
Fees	–	–	–	–	180	180	180	540
Salaries and other benefits	3,360	3,360	1,476	2,395	–	–	–	10,591
Performance related incentive payments	2,320	2,320	549	525	–	–	–	5,714
Contributions to retirement benefits schemes	48	48	82	18	–	–	–	196
Total emoluments	5,728	5,728	2,107	2,938	180	180	180	17,041
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
Contributions to retirement benefits schemes	48	48	82	18	–	–	–	196
Total emoluments	5,348	5,348	1,972	2,646	180	180	180	15,854

No directors waived any emoluments for the years ended 31 March 2011 and 2010.

Employees

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

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	1,080	1,080
Performance related incentive payments	420	320
Contributions to retirement benefits schemes	54	54
	1,554	1,454

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

11. PROFIT FOR THE YEAR (continued)

Notes: (continued)

(ii) Retirement benefits scheme contributions

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

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

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

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

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

12. DISTRIBUTIONS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2011 interim dividend of HK3.0 cents (2010: HK2.0 cents) per ordinary share	36,374	21,210
2010 final dividend of HK4.0 cents (2010: 2009 final dividend of nil) per ordinary share	42,564	–
	78,938	21,210

The final dividend of HK4.0 cents (2010: HK4.0 cents) per share, which will be in cash with a scrip dividend option, has been calculated by reference to the 1,222,554,473 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.

13. EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	334,015	314,627
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	(117)	–
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	333,898	314,627
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,131,024,311	1,035,734,211

The computation of diluted earnings per share for the year ended 31 March 2011 and 2010 does not assume the exercise of the Company's share options because the exercise price of the Company's share options outstanding for the year was higher than the average market price of the shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and 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 2009							
(originally stated)	1,920,760	31,884	45,106	35,699	27,600	1,332,159	3,393,208
Effect of change in							
accounting policy (note 3)	28,778	–	–	–	–	–	28,778
At 1 April 2009 (restated)	1,949,538	31,884	45,106	35,699	27,600	1,332,159	3,421,986
Exchange realignment	46	–	(27)	(36)	(10)	(453)	(480)
Additions	17,666	1,461	3,203	6,729	3,988	35,889	68,936
Transfer to assets classified as							
held for sale (note 24) (restated)	(28,360)	–	–	(210)	–	–	(28,570)
Disposals	–	–	(1,927)	(1,521)	(3,436)	(1,568)	(8,452)
At 31 March 2010 (restated)	1,938,890	33,345	46,355	40,661	28,142	1,366,027	3,453,420
Exchange realignment	113,162	1,947	1,844	1,614	863	82,656	202,086
Additions	2,919	609	3,818	1,697	5,193	80,652	94,888
Transfer	1,653	(1,653)	–	–	–	–	–
Disposals	–	–	(689)	(95)	(1,366)	(346)	(2,496)
At 31 March 2011	**2,056,624**	**34,248**	**51,328**	**43,877**	**32,832**	**1,528,989**	**3,747,898**
DEPRECIATION							
At 1 April 2009							
(originally stated)	190,525	–	30,743	14,936	21,533	690,841	948,578
Effect of change in							
accounting policy (note 3)	156	–	–	–	–	–	156
At 1 April 2009 (restated)	190,681	–	30,743	14,936	21,533	690,841	948,734
Exchange realignment	2	–	(11)	(12)	39	(389)	(371)
Provided for the year (restated)	77,094	–	4,644	2,976	2,675	117,340	204,729
Eliminated on disposals	–	–	(1,788)	(1,330)	(3,311)	(1,491)	(7,920)
Transfer to assets classified as							
held for sale (note 24) (restated)	(452)	–	–	–	–	–	(452)
At 31 March 2010 (restated)	267,325	–	33,588	16,570	20,936	806,301	1,144,720
Exchange realignment	18,270	–	1,417	536	671	50,924	71,818
Provided for the year	71,515	–	4,474	3,268	3,925	124,827	208,009
Eliminated on disposals	–	–	(569)	(126)	(934)	(239)	(1,868)
At 31 March 2011	**357,110**	**–**	**38,910**	**20,248**	**24,598**	**981,813**	**1,422,679**
CARRYING VALUE							
At 31 March 2011	**1,699,514**	**34,248**	**12,418**	**23,629**	**8,234**	**547,176**	**2,325,219**
At 31 March 2010 (restated)	1,671,565	33,345	12,767	24,091	7,206	559,726	2,308,700
At 1 April 2009 (restated)	1,758,857	31,884	14,363	20,763	6,067	641,318	2,473,252

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land and buildings	4% per annum or over the shorter of the term of the lease
Furniture, fixtures and equipment	15% – 25% per annum
Leasehold improvements	5 to 10 years or over the term of the relevant leases, if shorter
Motor vehicles	20% per annum
Plant and machinery	6⅔% – 25% per annum

	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
The Group's leasehold land and buildings comprise:			
Leasehold land and buildings with medium-term leases located in:			
– PRC	1,632,368	1,603,128	1,691,397
– Hong Kong	64,423	65,482	64,286
– Jordan	2,723	2,955	3,174
	1,699,514	1,671,565	1,758,857

15. PREPAID LEASE PAYMENTS

	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Prepaid lease payments comprise:			
Leasehold land in PRC:			
Medium-term leases	22,018	21,272	21,762
Analysed for reporting purposes as:			
Current assets	518	489	489
Non-current assets	21,500	20,783	21,273
	22,018	21,272	21,762

16. GOODWILL

	HK$'000
COST	
At 1 April 2009, 31 March 2010 and 31 March 2011	**6,185**

As explained in note 8, 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 2011 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% (2010: 4%). The cash flows beyond the 5-year period are extrapolated using a steady 4% growth rate (2010: 4%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions (even on the assumption with no growth rate and a higher discount rate of 10%) would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

17. INTANGIBLE ASSET

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

The intangible asset represents a trademark acquired for garment products segment in note 8. While the trademark has a registered life of 7 years, the directors are of the opinion that it can be renewed at minimal cost upon expiration of its registration and practically has indefinite useful life. Accordingly, no amortisation is provided on the trademark while impairment testing will be performed on a regular basis.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

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

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

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

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

19. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	1,412,509	1,020,520
Work in progress	470,758	361,302
Finished goods	356,476	299,174
	2,239,743	1,680,996

20. TRADE AND BILLS RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade and bills receivables	664,876	764,139
Bills discounted with recourse and debts factored with recourse	255,393	216,670
Less: Allowance for doubtful debts	(4,031)	(5,640)
	916,238	975,169

The Group generally allows its trade customers an average credit period of 30-120 days.

20. TRADE AND BILLS RECEIVABLES (continued)

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

	2011 HK$'000	2010 HK$'000
0-60 days	**665,588**	653,583
61-90 days	**168,987**	197,905
91-120 days	**62,596**	96,447
Over 120 days	**19,067**	27,234
	916,238	975,169

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

	2011 HK$'000	2010 HK$'000
HK$	**1,410**	1,010
CAD	**–**	412
RMB	**9,129**	48,604
USD	**53,964**	112,386

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

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$19,067,000 (2010: HK$27,234,000) which were past due at the reporting date but for which the Group has not provided for impairment loss.

The Group did not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality. The Group has assessed the credit quality of the trade receivables by using 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.

20. TRADE AND BILLS RECEIVABLES (continued)

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

As at 31 March 2011, the Group discounted certain bill receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2011, the carrying amount of bills receivables discounted with recourse was HK$255,393,000 (2010: HK$216,670,000).

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	5,640	3,772
Exchange realignment	98	–
Impairment loss recognised on receivables	–	1,893
Reversal of impairment loss recognised on receivables	(1,110)	(25)
Amounts written off as uncollectible	(597)	–
Balance at end of the year	4,031	5,640

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

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Deposits paid for purchase of raw materials and garment products	219,998	119,781
Other deposits and prepayments	12,585	11,183
Others	4,006	3,955
	236,589	134,919

22. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives settled in net (not under hedge accounting):

	2011 HK$'000	2010 HK$'000
Structured currency forward contracts	**7,853**	–

During the year ended 31 March 2011, the Group entered into USD/RMB structured forward contracts which require the Group to sell USD and to buy RMB monthly at exchange rates specified in the contracts ranging from 6.53 to 6.90. These contracts contain knock out features that will automatically terminate the contracts in certain scenarios. As at 31 March 2011, the aggregate notional amount of the outstanding structured currency forward contracts were USD376,000,000. The maturity periods of these contracts range from 26 June 2012 to 26 September 2013.

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

23. BANK BALANCES AND CASH

These represent bank balances, cash and short-term bank deposits held by the Group. Bank balances carry interest at market rates ranging from 0.001% to 4.05% (2010: from 0.001% to 2.25%) per annum.

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

	2011 HK$'000	2010 HK$'000
HK$	**34,836**	32,597
GBP	**7,249**	13,021
CAD	**87**	3,841
EURO	**638**	1,627
RMB	**6,776**	275
USD	**9,731**	62,724

24. 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 an owner-occupied building.

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

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

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

25. TRADE PAYABLES

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

	2011 HK$'000	2010 HK$'000
0-60 days	240,400	307,385
61-90 days	93,754	80,441
Over 90 days	55,862	37,109
	390,016	424,935

The average credit period for purchase of goods is 30-120 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 currencies of the relevant group entities are set out below:

	2011 HK$'000	2010 HK$'000
HK$	2,413	–
RMB	2	19
USD	33,412	48,680

26. OTHER PAYABLES AND ACCRUALS

	2011 HK$'000	2010 HK$'000
Deposits received from customers	137,943	42,637
Accruals	49,891	46,601
Others	26,124	55,666
	213,958	144,904

27. BANK BORROWINGS

	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Bank loans	1,190,098	1,235,694	1,353,014
Bills discounted with recourse and debts factored with recourse	255,393	216,670	225,443
Import loans, export loans and trust receipts loans	347,059	305,568	292,732
Mortgage loans	19,194	39,812	42,169
Transfer to liabilities associated with assets classified as held for sale	–	(19,382)	–
	1,811,744	1,778,362	1,913,358
Analysed as:			
– secured	53,946	58,808	59,023
– unsecured	1,757,798	1,719,554	1,854,335
	1,811,744	1,778,362	1,913,358

27. BANK BORROWINGS (continued)

	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Carrying amounts of bank loans that do not contain repayment on demand clause and repayable (note):			
Within one year	**140,642**	98,901	885,273
In more than one year but not more than two years	**290,911**	180,231	385,641
In more than two years but not more than three years	**489,325**	273,031	405,170
In more than three years but not more than four years	**–**	459,526	–
Sub-total	**920,878**	1,011,689	1,676,084
Carrying amounts of bank loans that contain repayment on demand clause and repayable (note):			
Within one year	**872,944**	668,838	197,454
In more than one year but not more than two years	**1,307**	79,926	2,412
In more than two years but not more than three years	**1,342**	1,311	2,475
In more than three years but not more than four years	**1,378**	1,345	2,545
In more than four years but not more than five years	**13,895**	15,253	32,388
Sub-total (shown under current liabilities)	**890,866**	766,673	237,274
Total	**1,811,744**	1,778,362	1,913,358
Less: Amounts shown as current liabilities	**(1,031,508)**	(865,574)	(1,122,547)
Amounts shown as non-current liabilities	**780,236**	912,788	790,811

Note: The amounts due are based on schedule repayment dates set out in the loan agreements.

27. BANK BORROWINGS (continued)

The above includes a syndicated loan of HK$928,000,000 (2010: HK$928,000,000) which bears interest at HIBOR plus 1.8% per annum and with a tenure of 4 years (2010: HIBOR plus 1.8% per annum with a tenure of 4 years). The effective interest rate of the Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 0.55% to HIBOR plus 2.50% per annum (2010: HIBOR plus 0.55% to HIBOR plus 2.50% per annum). The range of effective interest rates of the Group's bank borrowings are 0.75% to 5.02% per annum (2010: 0.68% to 3.50% per annum).

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

	2011 HK$'000	2010 HK$'000
HK$	71,475	75,896
USD	18,997	35,424

28. STRUCTURED BORROWINGS

	2011 HK$'000	2010 HK$'000
Structured borrowings, classified as:		
Current	12,439	19,947
Non-current	–	9,974
	12,439	29,921

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 according to the repayment term.

28. STRUCTURED BORROWINGS (continued)

Major terms of the structured borrowings as at 31 March 2011 and 2010 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

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 U.S. 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 U.S. 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 2011. Increase in fair value of HK$322,000 (2010: fair value loss of HK$101,400) during the year was credited to the consolidated statement of comprehensive income.

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

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2009, 31 March 2010 and 31 March 2011	**40,000,000,000**	**400,000**
Issued and fully paid:		
As at 1 April 2009	1,025,494,999	10,255
Placing of new shares (note i)	35,000,000	350
Issue of shares pursuant to scrip dividend scheme for 2010 interim dividend (note ii)	3,604,159	36
As at 31 March 2010	1,064,099,158	10,641
Issue of shares pursuant to scrip dividend scheme for 2010 final dividend (note iii)	18,352,871	184
Placing of new shares (note iv)	130,000,000	1,300
Issue of shares pursuant to scrip dividend scheme for 2011 interim dividend (note v)	10,102,444	101
As at 31 March 2011	**1,222,554,473**	**12,226**

Notes:

(i) 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.

(ii) 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 scrip dividend circular dispatched to shareholders on 5 February 2010. These shares ranked pari passu in all respects with the then existing shares.

(iii) On 22 October 2010, the Company issued and allotted a total of 18,352,871 shares of HK$0.01 each at an issue price of HK$1.5352 each in lieu of cash for the 2010 final dividends pursuant to the scrip dividend circular dispatched to shareholders on 17 September 2010. These shares ranked pari passu in all respects with the then existing shares.

(iv) Pursuant to a placing agreement dated 13 October 2010, the Company placed 130,000,000 shares of the Company at a price of HK$1.83 per share, resulting in gross proceeds to the Company of approximately HK$237,900,000. The placement was made to independent investors. The placing price represented a discount of approximately 12.02% to the closing price of HK$2.08 per share as quoted on the Stock Exchange on 12 October 2010, being the date on which the terms of placing was fixed. Arrangement fees of approximately HK$10,542,000 were set off against share premium. The proceeds were used for general working capital of the Group.

(v) On 4 March 2011, the Company issued and allotted a total of 10,102,444 shares of HK$0.01 each at an issue price of HK$1.7556 each in lieu of cash for the 2011 interim dividends pursuant to the scrip dividend circular dispatched to shareholders on 21 January 2011. These shares ranked pari passu in all respects with the then existing shares.

30. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme of the Company

At a special general meeting of the Company held on 30 November 2001, 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 contributions to the Group, and will expire on 29 November 2011. Under the Scheme, the Board of Directors of the Company 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 of Directors as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company 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.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share Option Scheme of the Company (continued)

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

Category	Date of grant	Exercise price HK$	Exercisable period	Number of option shares: Outstanding at 1.4.2009	Lapsed during the year	Outstanding at 31.3.2010	Lapsed during the year	Outstanding at 31.3.2011
Directors								
Mr. Li Ming Hung	9 October 2003	2.85	9.10.2004-29.11.2011	533,246	–	533,246	–	533,246
	4 June 2004	2.95	7.6.2004-29.11.2011	1,066,491	–	1,066,491	–	1,066,491
Mr. Chen Tien Tui	9 October 2003	2.85	9.10.2004-29.11.2011	533,246	–	533,246	–	533,246
	4 June 2004	2.95	7.6.2004-29.11.2011	1,066,491	–	1,066,491	–	1,066,491
Mr. Lee Yuen Chiu, Andy	23 May 2003	2.20	27.5.2003-29.11.2011	1,599,736	–	1,599,736	–	1,599,736
	9 October 2003	2.85	9.10.2004-29.11.2011	3,732,719	–	3,732,719	–	3,732,719
	4 June 2004	2.95	7.6.2004-29.11.2011	4,265,964	–	4,265,964	–	4,265,964
Mr. Choi Lin Hung	23 May 2003	2.20	27.5.2003-29.11.2011	1,599,736	–	1,599,736	–	1,599,736
	9 October 2003	2.85	9.10.2004-29.11.2011	3,732,719	–	3,732,719	–	3,732,719
	4 June 2004	2.95	7.6.2004-29.11.2011	4,265,964	–	4,265,964	–	4,265,964
Employees	23 May 2003	2.20	27.5.2003-29.11.2011	24,635,945	–	24,635,945	–	24,635,945
	9 October 2003	2.85	9.10.2004-29.11.2011	40,526,662	(426,596)	40,100,066	(10,664,912)	29,435,154
	4 June 2004	2.95	7.6.2004-29.11.2011	40,953,261	(533,246)	40,420,015	(8,531,928)	31,888,087
				128,512,180	(959,842)	127,552,338	(19,196,840)	108,355,498
Exercisable at the end of the year				128,512,180		127,552,338		108,355,498
Weighted average exercise price (HK$)				2.75	2.91	2.75	2.89	2.72

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme of FGG

Pursuant to a written resolution passed on 2 June 2010, FGG adopted a share option scheme (the "FGG Scheme"). The purpose of the FGG Scheme is to provide incentives to eligible participants including Eligible Employees. The FGG Scheme will remain in force for a period of ten years from the date of adoption of the FGG Scheme.

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

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

During the year ended 31 March 2011, FGG granted 41,900,000 share options to Eligible Employees of FGG. The exercise of these share options would entitle the Eligible Employees to subscribe for an aggregate of 41,900,000 shares of FGG. The exercise price per share is the price of initial public offering of shares of FGG and the share options are exercisable until 30 May 2020. The FGG Scheme is conditional upon the listing of FGG's shares on the Stock Exchange and the Eligible Employees remaining employed by FGG. Subsequent to the grant, on 5 October 2010, FGG and all the Eligible Employees have agreed to impose a vesting period of two years and to revise the exerciseable period of the options granted (the "Modification"). As this Modification that increases the vesting period is not beneficial to the Eligible Employees, FGG has only considered the vesting conditions imposed on grant date in determining the time period as to when the awards should be expensed in profit or loss (i.e. the share options are considered fully vested to the Eligible Employees upon listing for accounting purpose).

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme of FGG (continued)

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

					Number of option shares					
Category	Date of grant	Modified vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.4.2009 and 31.3.2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.3.2011
Directors										
Mr. Lau Kwok Wa, Stanley	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	–	5,350,000	–	–	–	5,350,000
Mr. Ng Tze On	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	–	5,350,000	–	–	–	5,350,000
Employees										
Mr. Ng Tsze Lun (note i)	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	–	21,000,000	–	–	–	21,000,000
Other employees (note ii)	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	–	10,200,000	–	–	(650,000)	9,550,000
					–	41,900,000	–	–	(650,000)	41,250,000
Exercisable at the end of the year										–

Notes:

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

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

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

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

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

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

31. DEFERRED TAXATION

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

	2011 HK$'000	2010 HK$'000
Deferred tax assets	1,518	–
Deferred tax liabilities	(9,282)	(5,716)
	(7,764)	(5,716)

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

	Accelerated tax and accounting depreciation HK$'000	Tax losses HK$'000	Dividend withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1 April 2009	285	–	1,893	–	2,178
Charge to profit or loss	44	–	3,494	–	3,538
At 1 March 2010	329	–	5,387	–	5,716
(Credit) charge to profit or loss	(1,063)	(300)	3,627	(216)	2,048
At 31 March 2011	(734)	(300)	9,014	(216)	7,764

At the end of the reporting period, the Group had unused tax losses of approximately HK$38,220,000 (2010: HK$37,928,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$1,199,000 (2010: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$37,021,000 (2010: HK$37,928,000) due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

The Group also had deductible temporary difference of approximately HK$52,674,000 (2010: HK$51,469,000) in respect of accelerated accounting depreciation. A deferred tax asset has been recognised to the extent of HK$4,448,000 (2010: Nil). No deferred tax asset has been recognised in respect of the remaining deductible temporary difference of HK$ 48,226,000 (2010: HK$ 51,469,000) due to the unpredictability of future profit streams.

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

32. MAJOR NON-CASH TRANSACTIONS

Details of scrip dividends in lieu of cash are set out in note 29.

33. PLEDGE OF ASSETS

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

	2011 HK$'000	2010 HK$'000 (restated)
Property, plant and equipment	50,461	41,569
Prepaid lease payments	4,141	4,843
	54,602	46,412
Assets classified as held for sale – property, plant and equipment	–	28,118
	54,602	74,530

34. COMMITMENTS

(i) Capital commitments

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	48,174	41,618

(ii) Operating lease commitments

The Group as lessee

	2011 HK$'000	2010 HK$'000
Minimum lease payments paid under operating leases in respect of premises and warehouses during the year	6,528	7,479

34. COMMITMENTS (continued)

(ii) Operating lease commitments (continued)

The Group as lessee (continued)

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

	2011 HK$'000	2010 HK$'000
Within one year	5,576	4,521
In the second to fifth year inclusive	7,761	859
	13,337	5,380

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 five years and rental is fixed throughout the lease period.

35. RELATED PARTY DISCLOSURES

(i) During the year, the Group paid operating lease rental of approximately HK$108,000 (2010: 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$374,947,000 (2010: HK$333,169,000). As at 31 March 2011, the aggregate amount of purchase deposits placed by the Group in Nanjing Synergy was approximately HK$66,137,000 (2010: HK$56,051,000) 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.

35. RELATED PARTY DISCLOSURES (continued)

(iii) On 1 April 2007, the Group entered into a master sale and purchase agreement ("Kimberley-Mayer Master Agreement") with 加美(清遠)製衣有限公司 Kimberley (Qing Yuan) Garment Limited ("Kimberley"). Prior to the expiry of the Kimberley-Mayer Master Agreement on 31 March 2010, the Group entered into a new master sale and purchase agreement ("Kimberley-FG Master Agreement') with Kimberley on 16 March 2010. Kimberley is indirectly owned as to 50% by a director of the Company and as to 50% by his spouse. Pursuant to the Kimberley-Mayer Master Agreement and Kimberley-FG Master Agreement, Kimberley agreed to supply apparel products to the Group. The Group placed deposits with Kimberley in the amount of approximately HK$18,234,000 (2010: HK$5,518,000) (included in deposits, prepayments and other receivables), and purchased apparel products from Kimberley in the amounts as stated above for the respective year.

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

(iv) During the year ended 31 March 2010, the Company and certain of its subsidiaries had provided 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 beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory as at 31 March 2010 amounted to HK$493 million. The amount of financial assistance provided exceeded the proportional interest of the Company in Ford Glory. The provision of the guarantees constituted 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.

Such guarantees were released during the year ended 31 March 2011.

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

	2011 HK$'000	2010 HK$'000
Short-term benefits	18,345	17,058
Post employment benefits	250	250
	18,595	17,308

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

36. EVENTS AFTER THE REPORTING PERIOD

(i) On 13 April 2011, the Company announced that it had entered into a conditional agreement to acquire Nanjing Synergy and related shareholder loans from a substantial shareholder of the Company for a consideration of HK$450 million. This transaction was not yet completed as at the date of these financial statements that were authorised for issue by the directors.

(ii) On 27 April 2011, FGG granted a total of 42,945,000 share options with the vesting period from 27 April 2011 to 26 April 2013 to certain directors and employees of FGG to subscribe for shares in FGG at a subscription price of HK$0.844 per share. The closing price of the FGG's shares on the date of grant is HK$0.81 per share.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage						Principal activities
			Attributable to the Group		Held by the Company		Held by subsidiaries		
			2011	2010	2011	2010	2011	2010	
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	100	100	–	–	100	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	100	100	–	–	100	100	Trading of dyed yarn
Elite Sound Investments Limited	Hong Kong	Ordinary HK$1	100	100	–	–	100	100	Investment holding
Ford Glory Holdings Limited	British Virgin Islands	Ordinary US$100	37.3 (note vii)	51	–	–	51	51	Investment holding
Ford Glory Group Holdings Limited	Bermuda	Ordinary HK$4,380,000	37.3 (note vi)	–	–	–	72.5	–	Investment holding
Ford Glory International Limited	Hong Kong	Ordinary HK$5,000,000	37.3 (note vii)	51	–	–	100	100	Trading of garment products
Glory Time Limited	Hong Kong	Ordinary HK$100	26.1 (note vii)	35.7	–	–	70	70	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	100	100	–	–	100	100	Provision of management services
PT. Victory Apparel Semarang	Indonesia	Ordinary US$300,000	37.3 (note vii)	51	–	–	100	100	Manufacture of garment products

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage						Principal activities
			Attributable to the Group		Held by the Company		Held by subsidiaries		
			2011	2010	2011	2010	2011	2010	
Sure Strategy Limited	British Virgin Islands	Ordinary US$100	51	–	-	–	51	–	Investment holding
Value Plus (Macao Commercial Offshore) Limited	Macau	MOP100,000	37.3 (note vii)	51	-	–	100	100	Provision of quality inspection services
Victory Apparel (Jordan) Manufacturing Company Limited	Jordan	Ordinary JD50,000	37.3 (note vii)	51	-	–	100	100	Manufacture of garment products
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred (note i) HK$8,000,000	100	100	-	–	100	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary US$6	100	100	100	100	-	–	Investment holding
Victory City Investments Limited	British Virgin Islands	Ordinary US$1	100	100	100	100	-	–	Investment holding
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary US$2 Preference US$3,300 (note ii)	100	100	-	–	100	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	100	-	–	100	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	100	-	–	100	100	Knitting, dyeing and finishing of fabric

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage						Principal activities
			Attributable to the Group		Held by the Company		Held by subsidiaries		
			2011	2010	2011	2010	2011	2010	
江門錦豐科技纖維有限公司 (note iv)	PRC	US$6,595,167	100	100	–	–	100	100	Dyeing of yarn and provision of related subcontracting services
江門冠暉製衣有限公司 (note iv)	PRC	Registered HK$30,000,000	37.3 (note vii)	60	–	–	100	60	Manufacture of garment products
福之源貿易(上海)有限公司 (note iv)	PRC	Registered RMB1,000,000	37.3 (note vii)	51	–	–	100	100	Trading of garment products and accessories
江門市冠達紡織材料有限公司	PRC	(note v)	60	60	–	–	60	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 registered 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 2011, 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 2011.

(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 established in the PRC. The verified paid up registered capital of 江門市冠達紡織材料有限公司 was approximately RMB15,000,000 as at 31 March 2011.

(vi) FGG is controlled by the Company through its non-wholly owned subsidiary, Sure Strategy Limited.

(vii) The companies are subsidiaries of FGG, which the Company has indirect control over those companies.

None of the subsidiaries had any debt securities subsisting at 31 March 2011 or at any time during the year.

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

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

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