THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Shares, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

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

(incorporated in Bermuda with limited liability)

(Stock Code: 539)

DISCLOSEABLE AND CONNECTED TRANSACTION
AND
WHITEWASH WAIVER APPLICATION
AND
NOTICE OF SPECIAL GENERAL MEETING

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders

Quam CAPITAL 華富嘉洛企業融資

A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from Quam containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 34 of this circular.

A notice convening the SGM to be held at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong at 10:00 a.m on Monday, 18 July 2011 is set out on pages 185 to 187 of this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

* *For identification purposes only*

30 June 2011

CONTENT

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Share and the Sale Loan from the Vendor by the Purchaser pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 13 April 2011 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Acquisition Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Announcement"	the announcement of the Company dated 13 April 2011 regarding, among others, the Acquisition and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day other than a Saturday, Sunday or public holiday on which banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Victory City International Holdings Limited (Stock code: 539), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	consideration payable by the Purchaser to the Vendor for the Acquisition
"Consideration Share(s)"	257,584,430 new Shares falling to be allotted and issued by the Company to the Vendor to satisfy the Consideration pursuant to the Acquisition Agreement
"Director(s)"	director(s) of the Company
"Executive"	the executive director of the Corporate Finance Division of the SFC of Hong Kong or his delegates
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprised all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than (i) Mr. Li or Mr. Chen and any parties acting or presumed to be acting in concert with them; (ii) parties involved or interested in the Acquisition or the Whitewash Waiver; and (iii) the associates of Mr. Li and Mr. Chen
"Last Trading Day"	13 April 2011, being the last trading day of the Shares before the release of the Announcement
"Latest Practicable Date"	28 June 2011, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange (excluding the Growth Enterprise Market and the option market)
"Mr. Chen"	Mr. Chen Tien Tui, an executive Director and the chief executive officer of the Company
"Mr. Li"	Mr. Li Ming Hung, an executive Director and the chairman of the Company
"Nanjing Synergy"	南京新一棉紡織印染有限公司 (Nanjing Synergy Textiles Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company as at the Latest Practicable Date
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Property Valuer"	Jones Lang LaSalle Sallmanns Limited, an independent professional property valuer

"Purchaser"	Victory City Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Quam"	Quam Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder
"Relevant Period"	the period commencing on the date falling six months prior to the date of publication of the Announcement and ending on the Latest Practicable Date
"Sale Loan"	the entire loan owing by the Target Company to the Vendor prior to the Acquisition Completion in the amount of approximately HK$93,000,000 at at the Latest Practicable Date
"Sale Share"	one allotted and issued ordinary share of the Target Company, representing its entire issued share capital
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended from time to time

"Target Company"	Global Honour Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Time View Investments Limited, a company incorporated in the BVI with limited liability
"Whitewash Waiver"	a waiver from the obligation of the Vendor and parties acting in concert with it (including Mr. Li, Mr. Chen, Pearl Garden Pacific Limited and Madian Star Limited) to make a mandatory offer under Rule 26 of the Takeovers Code for the shares of the Company not owned or agreed to be acquired by the Vendor and parties acting in concert with it as result of the issue and allotment of the Consideration Shares which would increase the shareholding of the Vendor and parties acting in concert with it from approximately 32.27% of the issued share capital of the Company as at the Latest Practicable Date to approximately 44.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the date of the Acquisition Completion save for the issue of the Consideration Shares)
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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

(incorporated in Bermuda with limited liability)
(Stock Code: 539)

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

Independent non-executive Directors:
Kan Ka Hon
Phaisalakani Vichai (Andy Hung)
Kwok Sze Chi

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
Hong Kong

30 June 2011

To the Shareholders and option holders of the Company

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION AND WHITEWASH WAIVER APPLICATION

INTRODUCTION

On 13 April 2011, the Board announced that (i) the conditional Acquisition Agreement was entered into between the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Share and the Sale Loan from the Vendor at a consideration of HK$450 million; and (ii) an application would be made by the Vendor and parties acting in concert (including Mr. Li, Mr. Chen, Pearl Garden Pacific Limited and Madian Star Limited) with it to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

* *For identification purposes only*

On 29 April 2011, the Board further announced that, among others, (i) the formation of Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the Acquisition and the Whitewash Waiver; (ii) the appointment of Quam as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition and the Whitewash Waiver; (iii) the grant of waiver from the Stock Exchange from the strict compliance of Rule 14.58(6) and (7) of the Listing Rules subject to certain conditions; and (iv) the application for a waiver from the SFC from the strict compliance of Rule 8.2 of the Takeovers Code.

The purpose of this circular is to give you further information regarding, among others, (i) further information on the Acquisition and the Whitewash Waiver; (ii) information required under Chapters 14 and 14A of the Listing Rules in relation to the Acquisition; (iii) a letter from the Independent Board Committee to the Independent Shareholders, (iv) an advice from Quam to the Independent Board Committee and the Independent Shareholders and (v) the notice of the SGM.

THE ACQUISITION AGREEMENT

Date:

13 April 2011

Parties:

(a) The Purchaser:

Victory City Holdings Limited, a wholly-owned subsidiary of the Company and an investment holding company incorporated in the BVI

(b) The Vendor:

Time View Investments Limited, an investment holding company incorporated in the BVI

As at the Latest Practicable Date, the Vendor is an investment holding company incorporated in the BVI and is the legal and beneficial owner of the entire issued share capital of the Target Company. The Target Company has an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each, of which one share has been issued as fully paid up and is beneficially owned by the Vendor.

The Vendor is indirectly wholly-owned by Trustcorp Limited, a Substantial Shareholder of the Company. As at the Latest Practicable Date, Trustcorp Limited was interested as to 50% as discretionary trustee for the family members of Mr. Li, an executive Director, and as to 50% as discretionary trustee for the family members of Mr. Chen, an executive Director. Accordingly, the Vendor is an associate of Trustcorp Limited, Mr. Li and Mr. Chen and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share (representing the entire issued share capital of the Target Company) and the Sale Loan (representing the entire shareholder's loan owing by the Target Company to the Vendor prior to the Acquisition Completion). The principal asset of the Target Company is its 100% direct equity interest in Nanjing Synergy.

Consideration

The Consideration of HK$450 million was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account (i) the net asset value of the Target Group; (ii) the then preliminary valuation of the property held by Nanjing Synergy of HK$364 million performed by the Property Valuer; and (iii) the opportunity to gain access to the upstream operation of its production line.

The Consideration will be satisfied by an issue of 257,584,430 Consideration Shares by the Company, under the procurement by the Purchaser, credited as fully paid, to the Vendor (or its nominees), of which represents (i) approximately 21.07% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 17.40% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares (assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the date of the Acquisition Completion save for the issue of the Consideration Shares), as illustrated in the table set out under the paragraph "Effect on shareholding structure of the Company" below.

The issue price of HK$1.747 per Consideration Share was arrived at after arm's length negotiations between the Purchaser and the Vendor and represents:

(a) a premium of approximately 5.9% over the closing price of the Shares of HK$1.65 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 5.9% over the average closing price of HK$1.65 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(c) a premium of approximately 8.0% over the average closing price of HK$1.618 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and

(d) a premium of approximately 14.2% over the closing price of HK$1.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

The Consideration Shares will be allotted and issued on the Acquisition Completion pursuant to the specific mandate to be sought at the SGM.

Lock-up arrangement for the Consideration Shares

Pursuant to the Acquisition Agreement, the Vendor shall undertake that, without the prior written consent of the Company, the Vendor shall not, and shall procure that none of its associates or companies controlled by it or nominees or trustees holding in trust for it shall, sell, transfer or otherwise dispose of (or enter into any agreement to dispose of) any Consideration Shares held by the Vendor, or any Consideration Shares held directly or indirectly by the Vendor or its associates, in any company controlled by them which is the beneficial owner of any such Consideration Shares nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their direct or indirect interests in such Consideration Shares during a period commencing from the date of the Acquisition Completion and ending on the date which is the first anniversary of the date of the Acquisition Completion.

Ranking of the Consideration Shares

The Consideration Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares and the Consideration Shares, when issued, will be free from all liens, charges and encumbrances and together with all rights attaching to them including the right to receive all dividends declared, made or paid on or after the date of allotment and issue. Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent of the Acquisition Agreement

Completion of the Acquisition is conditional upon fulfillment of the following conditions:

(a) the Target Group, the Vendor and the Purchaser having obtained all necessary consents and approvals in relation to the Acquisition;

(b) the Purchaser being satisfied that all the Vendor's warranties remain true and accurate and not misleading in any material respect and no event or circumstance has occurred that would result in any material adverse change at all times from the date of the Acquisition Agreement up to the Acquisition Completion;

(c) the SFC has granted approval or consent that the allotment and issue of the Consideration Shares would not trigger a general offer under the Takeovers Code;

(d) the Listing Committee granting or agreeing to grant a listing of and permission to deal in the Consideration Shares (either unconditionally or subject to conditions);

(e) the passing of the relevant resolution(s) by the Independent Shareholders at a general meeting of the Company approving the Acquisition Agreement, the Whitewash Waiver and transactions contemplated thereunder (including the issue and allotment of the Consideration Shares) in compliance with the memorandum of association and bye-laws of the Company and the Listing Rules;

(f) the obtaining by the Purchaser of: (i) a legal opinion (in form and substance satisfactory to the Purchaser) by a PRC legal adviser designated by the Purchaser covering matters relating to the Acquisition Agreement and Nanjing Synergy; and (ii) a legal opinion (in form and substance satisfactory to the Purchaser) by a BVI legal adviser designated by the Purchaser in relation to the due incorporation and valid existence of the Target Company;

(g) the Purchaser conducting a due diligence review of and being satisfied with the assets, liabilities, operation and business of the Target Group; and

(h) the obtaining by the Purchaser of a property valuation report (in form and substance satisfactory to the Purchaser) issued by an independent property valuer in respect of the property held by Nanjing Synergy.

The Purchaser may at its absolute discretion waive the above conditions precedent (save for conditions precedent (a), (c), (d), (e) and (h)). In the event that any of the above conditions precedent are not fulfilled or waived (where applicable) and remain unfulfilled on or before 31 August 2011 (or such later date as may be agreed by the parties in writing), the Acquisition Agreement shall lapse and no party to the Acquisition Agreement will have any further rights or obligations under the Acquisition Agreement except in respect of the specific provisions as set out in the Acquisition Agreement which will continue in full force and effect and no party to the Acquisition Agreement shall have any claim against or liability to the other party, save for antecedent breaches of the Acquisition Agreement. As at the Latest Practicable Date, condition precedent (h) has been fulfilled. The property held by Nanjing Synergy was valued at RMB301.46 million as at 31 May 2011 as set out in Note 2 to property No. 1 in Appendix I to this circular.

Acquisition Completion

Acquisition Completion shall take place on the third Business Day following the date on which the last of the above conditions is fulfilled or waived (where applicable), or such later date as the parties to the Acquisition Agreement may agree in writing prior to Acquisition Completion.

Upon Acquisition Completion, the Target Group will become indirectly wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is incorporated in the BVI on 8 August 2003 with limited liability. As at the Latest Practicable Date, the Target Company is a wholly-owned subsidiary of the Vendor and an investment holding company interested in the entire equity interest in Nanjing Synergy. On 9 October 2003, Nanjing Synergy was established in the PRC with an initial registered capital of US$29,800,000 and an initial total investment of US$29,800,000. Subsequently, the registered capital and the total investment of Nanjing Synergy increased to US$39,000,000 and total investment of US$49,800,000 respectively. As at the Latest Practicable Date, the registered capital of Nanjing Synergy had been fully paid-up and was contributed and beneficially held by Trustcorp Limited. As at the Latest Practicable Date, Nanjing Synergy is a wholly-owned subsidiary of the Target Company. The registered business scope of Nanjing Synergy included fabric-knitting, fabric-dyeing and finishing; textile fiber processing; garment and related business; and sales of own products.

Set out below is the audited consolidated financial information of the Target Group prepared in accordance with the accounting principles generally accepted in Hong Kong:

	For the year ended 31 December 2010 *(HK$'000)*	**For the year ended 31 December 2009** *(HK$'000)*
Net profit before taxation and extraordinary items	31,236	29,400
Net profit after taxation and extraordinary items	25,820	29,400

As at 31 December 2010, the net asset value of the Target Group (before deduction of the Sale Loan owing by the Target Company to Vendor) was approximately HK$228,033,000 according to the audited consolidated accounts of the Target Group for the year ended 31 December 2010.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The respective shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Acquisition Completion are set out below:

	As at the Latest Practicable Date		**Immediately after the Acquisition Completion (i.e. after allotment of 257,584,430 Consideration Shares)**	
Shareholder	**No. of Shares**	**Approximate %**	**No. of Shares**	**Approximate %**
Parties acting in concert with the Vendor				
Pearl Garden Pacific Limited	196,386,000 *(Note 1)*	16.06	325,178,215	21.97
Madian Star Limited	196,386,000 *(Note 2)*	16.06	325,178,215	21.97
Mr. Li	–	–	–	–
Mr. Chen	1,715,000	0.14	1,715,000	0.12
Sub-total	***394,487,000***	***32.27***	***652,071,430***	***44.05***
Directors other than Mr. Li and Mr. Chen	***8,286,000***	***0.68***	***8,286,000***	***0.56***
Public	***819,781,473***	***67.05***	***819,781,473***	***55.39***
Total	**1,222,554,473**	**100.00**	**1,480,138,903**	**100.00**

Notes:

1. These Shares were held by Pearl Garden Pacific Limited. As at the Latest Practicable Date, Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li's family.

2. These Shares were held by Madian Star Limited. As at the Latest Practicable Date, Madian Star Limited is wholly-owned by Yonice Limited, the entire share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen's family.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the production of and sale of knitted fabric and dyed yarn and garment products.

Nanjing Synergy is principally engaged in the manufacture and sales of yarn and has been a supplier of yarn of the Group for its fabric-dyeing and yarn-dyeing business since 2005.

Taking into account the anticipated growth in the demand for yarn by the Group in its fabric-dyeing and yarn-dyeing business in the coming years, the Company considers maintaining a consistent supply and ascertaining the good quality of yarn is essential to the growth of the Group's fabric-dyeing and yarn-dyeing business. Nanjing Synergy and the Group have established a long business relationship with each other and the Directors consider the supply of yarn by Nanjing Synergy is more stable and of a higher quality than that of other yarn suppliers and Nanjing Synergy has the ability of providing a larger variety of yarn count to the Group. As yarn is the main raw material for manufacturing fabric, the upstream vertical integration of producing yarn in the fabric supply chain enables the Group to gain cost benefit and flexibility in production schedule for fabric. The Acquisition represents a good opportunity for the Group to vertically integrate its production process so as to better control the quality and the cost of raw material for its production purpose. Moreover, the Group has been seeking suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income. In this regard, the Directors believe that the Acquisition will provide an opportunity for the Group to gain access to the upstream operation along its production line and broaden the income base of the Group, thereby enhancing the Group's financial position and profitability in the future.

After taken into account, among others, (i) the opportunity to gain access to the upstream operation of its production line; (ii) the opportunity to diversify the business of the Group and broaden its income source; and (iii) the basis of the Consideration as mentioned above, the Directors consider that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

It is the intention of the Vendor and the parties acting in concert with it that the Company will maintain its existing business. The Vendor and the parties acting in concert with it have no intention to introduce any major change to the existing operation of the Company. As at the Latest Practicable Date, the Vendor and the parties acting in concert with it have no intention in the future to re-deploy the fixed assets, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

As at the Latest Practicable Date, the Vendor is ultimately wholly-owned by Trustcorp Limited, a Substantial Shareholder of the Company. Trustcorp Limited was interested as to 50% as discretionary trustee for the family members of Mr. Li, an executive Director, and as to 50% as discretionary trustee for the family members of Mr. Chen, an executive Director. Accordingly, the Vendor is an associate of Trustcorp Limited, Mr. Li and Mr. Chen and is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM.

Each of Mr. Li, Mr. Chen has a material interest in the Acquisition and both of them have abstained from voting on the board resolution approving the Acquisition and Acquisition Agreement. Each of Mr. Li, Mr. Chen and their associates (being the associates of the Vendor and in aggregate are interested in 394,487,000 Shares, representing approximately 32.27% of the issued share capital of the Company as at the Latest Practicable Date) will be required to abstain from voting on the proposed resolutions in respect of the Acquisition and the Whitewash Waiver at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi, has been formed to advise the Independent Shareholders in connection with the Acquisition and the Whitewash Waiver. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the terms of the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder is set out on pages 16 to 17 of this circular.

Quam has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder. The letter from Quam containing its advice to the Independent Board Committee and the Independent Shareholders in this respect is set out on pages 18 to 34 of this circular.

IMPLICATION UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Vendor and parties acting in concert with it, including Pearl Garden Pacific Limited, Madian Star Limited, Mr. Li and Mr. Chen hold in an aggregate of 394,487,000 Shares, representing approximately 32.27% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li's family. As at the Latest Practicable Date, Madian Star Limited is wholly-owned by Yonice Limited, the entire share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen's family.

The Consideration will be satisfied by an issue of 257,584,430 Consideration Shares by the Company, under the procurement by the Purchaser, credited as fully paid, to the Vendor (or its nominees). Accordingly, the Vendor and parties acting in concert with it would be interested in 652,071,430 Shares, representing approximately 44.05% of the issued share capital of the Company as enlarged by the allotment and issue of 257,584,430 Consideration Shares (assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the date of the Acquisition Completion save for the issue of the Consideration Shares).

In the absence of the Whitewash Waiver, the Vendor and parties acting in concert with it would be obliged to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Vendor or parties acting in concert with it in accordance with the Takeovers Code.

An application has been made by the Vendor and parties acting in concert with it to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares pursuant to the Acquisition Agreement. The Whitewash Waiver, if granted by the Executive, is subject to the approval of the Independent Shareholders on a vote taken by way of a poll. The Executive has indicated that the Whitewash Waiver will be granted subject to the approval of the Independent Shareholders at the SGM by way of poll. The Vendor and parties acting in concert with it and their respective associates and those who are involved or interested in the Acquisition or the Whitewash Waiver will abstain from voting on the resolution to approve the Whitewash Waiver at the SGM.

The Vendor has confirmed that none of the Vendor or any parties acting or presumed to be acting in concert with it has acquired voting rights in the Company in the six months prior to the date of the Announcement but subsequent to negotiations, discussion or the trading of understanding or agreements with the Directors in relation to the Acquisition which would constitute disqualifying transaction under the Takeovers Code.

Save as disclosed in the paragraph headed "Effect on the Shareholding Structure of the Company" above, none of the Vendor or any parties acting or presumed to be acting in concert with it owns or has control or direction over any voting right in or rights over any

Shares or any convertible securities, warrants or options in respect of the Shares, or any outstanding derivative in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; nor is there any arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of Vendor and which might be material to the transactions contemplated under the Acquisition Agreement and the Whitewash Waiver, or any agreements or arrangements to which the Vendor is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Acquisition Agreement and the Whitewash Waiver. None of the Vendor or any persons acting or presumed to be acting in concert with it has received an irrevocable commitment to vote for or against the resolutions relating to the Acquisition Agreement and the Whitewash Waiver. Further, none of Vendor or any persons acting or presumed to be acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

SGM

The Company will convene the SGM at 10:00 a.m on Monday, 18 July 2011 at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong to consider, among other things, the Acquisition and Whitewash Waiver. The resolutions will be put to the vote at the SGM by poll as required by the Listing Rules. A notice of the SGM is set out on pages 181 to 187 of this circular. So far as the Directors are aware, Mr. Chen, Mr. Li and his associates, who together held 394,487,000 Shares representing approximately 32.27% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution approving the Transactions in accordance with Rule 14A.18 of the Listing Rules if they hold any Shares as at the date of the SGM.

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of this circular and the letter of advice from Quam to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder and the principal factors and reasons considered by them in arriving at such advice set out on pages 18 to 34 in this circular.

The Independent Board Committee, having taken into account the advice of Quam, considers that the terms of the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder are in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreements and the respective transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the terms of the Acquisition Agreements and the respective transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder a at the SGM.

ADDITIONAL INFORMATION

As the Acquisition Completion is subject to the satisfaction of a number of conditions, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The English and Chinese versions of this circular are available on the Company's website at www.victorycity.com.hk and the Stock Exchange's website.

Your attention is drawn to the information set out in the appendices to this circular.

By Order of the Board of Directors of
Victory City International Holdings Limited
Li Ming Hung
Chairman

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:

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

(incorporated in Bermuda with limited liability)
(Stock Code: 539)

30 June 2011

To the Shareholders and option holders of the Company

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION AND WHITEWASH WAIVER APPLICATION

We refer to the circular issued by the Company to the Shareholders dated 30 June 2011 ("**Circular**") of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

The Acquisition constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Further, as the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition exceed 5% but are less than 25%, the Acquisition also constitutes a discloseable transaction for the Company.

We have been appointed by the Board to consider the terms of the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder and to advise the Independent Shareholders in connection therewith and as to whether, in our opinion, the terms of the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. Quam has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Quam as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of, Quam as set out in its letter of advice, we consider that the Acquisition, the Whitewash Waiver and the respective transactions contemplated thereunder are in the ordinary and usual course of business of the Company, the terms of the Acquisition

* *For identification purposes only*

Agreement are on normal commercial terms. We also consider that the Acquisition and the Whitewash Waiver are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition, the Acquisition Agreement and the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. Kan Ka Hon Mr. Phaisalakani Vichai Mr. Kwok Sze Chi

The following is the full text of the letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

Quam CAPITAL 華富嘉洛企業融資
Quam Capital Limited
A Member of The Quam Group

30 June 2011

To the Independent Board Committee and the Independent Shareholders
Victory City International Holdings Limited
Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
Hong Kong

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION AND WHITEWASH WAIVER APPLICATION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. Details of the terms of the Acquisition and the Whitewash Waiver are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 30 June 2011 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 13 April 2011, the Purchaser entered into the conditional Acquisition Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share and the Sale Loan at a consideration of HK$450 million.

As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The Vendor is ultimately wholly-owned by Trustcorp Limited, a Substantial Shareholder of the Company. Trustcorp Limited is interested as to 50% as discretionary trustee for the family members of Mr. Li, an executive Director, and as to 50% as discretionary trustee for the family members of Mr. Chen, an executive Director. Accordingly, the Vendor is an associate of Trustcorp Limited, Mr. Li and Mr. Chen, and the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM. The Acquisition Agreement is also conditional on, among other things, the grant of the Whitewash Waiver, which under the provisions of the Takeovers Code also requires approval by the Independent Shareholders by way of poll, by the Executive to the Vendor and parties acting in concert with it. If the Whitewash Waiver is not approved by the Independent Shareholders and/or granted by the Executive, the Acquisition Agreement will lapse and the Acquisition will not proceed.

Messrs. Kan Ka Hon, Phaisalakani Vichai and Kwok Sze Chi, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Acquisition has been entered into by the Group within its ordinary and usual course of business based on normal commercial terms; and the terms of the Acquisition Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to whether to vote in favour of the Acquisition and the Whitewash Waiver. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Quam Capital Limited is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give independent advice in respect of the Acquisition and the Whitewash Waiver. Our appointment has been approved by the Independent Board Committee.

In formulating our recommendation, we have relied on the information and facts obtained or referred to in the Circular, the information supplied by the Group and its advisers, the opinions expressed by and the representations of the Directors and management of the Group, and our review of the relevant public information. We have assumed that all the information, facts and representations contained or referred to in the Circular were true and accurate in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true until the date of the Circular. Shareholders will be notified of material changes, if any, to the information and facts provided and expressed to us after the date of the Circular and up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group and the Directors have confirmed to us that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient and relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Purchaser, the Vendor and the Target Company, or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Acquisition and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into the Acquisition Agreement

(a) Historical performance and development of the Group

The Group is principally engaged in the production of and sale of knitted fabric and dyed yarn and garment products.

Set out below is a summary of the consolidated financial results of the Company for each of the three financial years ended 31 March 2009, 2010 and 2011 and the six months ended 30 September 2010 as extracted from its annual report for the financial year ended 31 March 2010 (the "**Annual Report**"), financial results announcement dated 28 June 2011 (the "**Results Announcement**") and interim report for the six months ended 30 September 2010 (the "**Interim Report**"):

Table One

	(Audited)			**(Unaudited)**
	Year ended 31 March			**Six months ended 30 September**
	2009	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4,090,493	3,863,612	4,047,705	2,143,474
Profit attributable to the equity holders of the Company	216,865	314,627	334,015	164,631

Segment results of the Group	**Knitted fabric and dyed yarn**	**Garment products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2011			
Segment revenue	3,144,827	902,878	4,047,705
Segment results	385,791	57,258	443,049
Six months ended 30 September 2010			
Segment revenue	1,680,173	463,301	2,143,474
Segment results	199,179	28,694	227,873
Year ended 31 March 2010			
Segment revenue	2,969,261	894,351	3,863,612
Segment results	353,255	49,634	402,889
Year ended 31 March 2009			
Segment revenue	2,806,225	1,284,268	4,090,493
Segment results	307,169	53,560	360,729

As illustrated in Table One above, the revenue decreased by approximately 5.5% to approximately HK$3,863.6 million while the profit attributable to the equity holders of the Company increased by approximately 45.1% to HK$314.6 million for the financial year ended 31 March 2010. Such increase in the profit was mainly attributable to stringent cost measurements implemented by the Group and the net profit margin surged from approximately 5.3% to 8.1%. The revenue increased slightly by approximately 4.8% to approximately HK$4,047.7 million while the profit attributable to the equity holders of the Company increased slightly by approximately 6.2% to HK$334.0 million for the financial year ended 31 March 2011. The Group has two segments, namely knitted fabric and dyed yarn segment and garment products segment. The majority of the revenue was contributed from the segment of knitted fabric and dyed yarn, which accounted for approximately 68.6%, 76.9%, 77.7% and 78.4% for the three financial years ended 31 March 2009, 2010 and 2011 and the six months ended 30 September 2010 respectively. Despite the volatile market conditions, revenue of the knitted fabric and dyed yarn segment reached approximately HK$2,969.3 million and HK$3,144.8 million for the financial years ended 31 March 2010 and 2011, exhibiting growth of 5.8% and 5.9% as compared with the previous year's results respectively. The revenue of the garment segment dropped by 30.4% to approximately HK$894.4 million for the financial year ended 31 March 2010 and increased slightly by 1.0% to HK$902.9 million for the financial year ended 31 March 2011. The Group has spun off its garment segment for a separate listing of the business on the Main Board of the Stock Exchange on 5 October 2010. The Directors considered that the spin-off will enable the management team of the Company to continue to focus on building its core businesses (i.e. the production and sale of knitted fabric and dyed yarn).

(b) Information on the Target Group

The Target Company is an investment holding company and its principal asset is its 100% direct equity interest in Nanjing Synergy. The registered business scope of Nanjing Synergy included fabric-knitting, fabric-dyeing and finishing; textile fiber processing; garment and related business; and sales of own products.

Set out below is a summary of the audited consolidated financial information of the Target Group for the years ended 31 December 2009 and 2010:

Table Two

	(Audited) Year ended 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Turnover	404,154	448,354
Net profit before taxation and extraordinary items	29,400	31,236
Net profit after taxation and extraordinary items	29,400	25,820

	(Audited) As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Net asset value (including the Sale Loan)	99,689	135,033

The net profits before taxation and extraordinary items were approximately HK$31.2 million and HK$29.4 million for the two years ended 31 December 2009 and 2010, which represent an increase of approximately 6.2%. The net profit after taxation and extraordinary items decreased from approximately HK$29.4 million for the year ended 31 December 2009 to HK$25.8 million for the year ended 31 December 2010. As advised by the Company, there was no taxation expense for the year ended 31 December 2009 due to the enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions. On 27 October 2008, the Group entered into a master sale and purchase agreement with Nanjing Synergy, pursuant to which Nanjing Synergy agreed to supply yarn to the Group from 27 October 2008 to 31 March 2011. Nanjing Synergy sources raw cotton from local cotton exchanges in the PRC. The impurities are sorted out from the raw cotton. The raw cotton is then processed by spinning machines imported from Switzerland and Germany which, the management of the Company considers to be the key factor of high quality yarn.

As advised by the management of the Company, approximately 95.6% of the total yarn manufactured by the Target Group, amounted to approximately HK$333.2 million, was supplied to the Group whilst only approximately 10.6% of the total yarn purchased by the Group was from the Target Group for the financial year ended 31 March 2010. The Group intends to increase the purchase of yarn from the Target Group due to (i) the relatively higher quality and more consistent supply of yarn manufactured by the Target Group as compared to other independent suppliers; (ii) that the Target Group is familiar with the needs and specification of goods demanded by the Group; and (iii) the Target Group's intended plan to expand its production capacity of yarn manufacture from 1,200 tons per year for the year ended 31 March 2012 to 3,000 tons per year by the year ending 31 March 2015.

(c) Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, the consistent supply and the good quality of yarn are essential to the growth of the Group's fabric-dyeing and yarn-dyeing business. The Directors consider that the supply of yarn by Nanjing Synergy is more stable and of a higher quality than that of other yarn suppliers and Nanjing Synergy has the ability of providing a larger variety of yarn count to the Group.

As disclosed in the Interim Report, during the period under review, escalating cotton prices continued to overwhelm the well-being of the overall textile industry, which in return has affected the Group's profit margins. Since the fourth quarter of 2009, the Group has been exercising proactive cotton cost management. As yarn is the main raw material for manufacturing fabric, the upstream vertical integration of producing yarn in the fabric supply chain enables the Group to gain cost benefit and flexibility in its fabric production schedule. The Acquisition represents a good opportunity for the Group to vertically integrate its production process so as to better control the quality and the cost of raw materials. In addition, the Group has been seeking suitable investment opportunities from time to time. As stated in the Annual Report, the Group will continue to enhance its business model to create the best platform for the future growth of its core business as well as to capitalise on all value-enhancing opportunities. The Directors believe that the Acquisition will provide an opportunity for the Group to enhance its business model and gain access to the upstream operation, and broaden the asset base of the Group, thereby enhancing the Group's financial position and profitability in the future.

(d) Conclusion

Based on the foregoing, we are of the view that the Acquisition represents a good opportunity for the Group to vertically integrate its knitted fabric and dyed yarn business and thus the Acquisition is conducted in the ordinary and usual course of the Group's business; and in the interests of both the Company and the Independent Shareholders as a whole in that respect.

2. The principal terms of the Acquisition Agreement

(a) The Consideration and its basis of determination

The Consideration for the Acquisition is HK$450 million. As advised by the management of the Company, the Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and on normal commercial terms with reference to (i) the audited net asset value of the Target Group as at 31 December 2010; (ii) the value of the Sale Loan; (iii) the valuation of the property interests held by Nanjing Synergy performed by an independent property valuer (the "**Property Valuer**"); and (iv) the opportunity to gain access to the upstream operation of its production line.

Pursuant to the Acquisition Agreement, apart from the transfer of the Sale Shares, the Vendor agreed to transfer the Sale Loan of approximately HK$93 million to the Purchaser. As advised by the management of the Company, the Sale Loan is applied for the construction of production plant of the Target Group, which is interest free, and is repayable on demand and thus is considered to be liability nature. The Consideration net off the monetary value of the Sale Loan of approximately HK$93 million amounted to approximately HK$357 million (the "**Adjusted Consideration**").

We have reviewed the audited financial statements of the Target Group as at 31 December 2010 and the valuation report on, among others, the property interests held by the Target Group (the "**Valuation Report**") prepared by the Property Valuer as set out in Appendix I to the Circular. It is noted that the net asset value of the Target Group was approximately HK$135 million as at 31 December 2010 and the market value of the property interests held by the Target Group amounted to approximately RMB301 million (equivalent to approximately HK$364 million) as at 31 May 2011, which represents a premium of approximately HK$255 million to the book value of property interests of the Target Group as at 31 December 2010 (the "**Valuation Surplus**"). After taking into account of the above, the net asset value of the Target Group as adjusted by the Valuation Surplus was approximately HK$390 million as at 31 December 2010 (the "**Adjusted NAV**") and the implied price to net asset value ratio (the "**Adjusted P/NAV Ratio**") represented by the Adjusted Consideration and the Adjusted NAV is approximately 0.92 times.

(b) Comparable analysis

(i) Comparison with other Hong Kong listed companies

In order to assess the fairness and reasonableness of the Consideration, we have attempted to compare it with the valuation multiples of other Hong Kong listed companies with principal activities and net asset values similar to that of the Target Group. However, we are unable to identify any comparable companies based on the aforesaid two criteria. As an alternative, based on the information available on the website of the Stock Exchange, we have identified and made references to, so far as we are aware, the price to net asset value ratios ("**P/NAV Ratio(s)**") of those companies listed on the Stock Exchange as at the Latest

Practicable Date which (i) are principally engaged in the manufacturing of materials and/or semi-products to be applied in garment related business with no retail operation; and (ii) have no less than 90% of their total revenue for their respective latest financial year deriving from the manufacturing of materials and/or semi-products to be applied in garment related business (the "**Comparable Companies**"), which is in line with the principal businesses of the Target Group. Based on the aforesaid criteria, we have, to the best of our knowledge, made all reasonable enquiries and identified 10 Comparable Companies, which is exhaustive, and have reviewed the respective P/NAV Ratios of the Comparable Companies and made a comparison on this basis with the Adjusted Consideration in our analysis as detailed in Table Three below. As a supplemental reference, we have also considered the respective price to earnings ratios ("**P/E Ratio(s)**") of the Comparable Companies. It should, however, be noted that given their latest published net asset values, the Comparable Companies, in terms of size, may not be comparable to the Target Group. In addition, the property, plant and equipment of the Comparable Companies may not be adjusted to the market value in their latest published financial results, and hence the result of our comparison below should not be used in isolation as a determining factor in deciding whether or not the Consideration is fair and reasonable.

Table Three

Comparable Companies (Stock code)	**Principal activities**	**Current market capitalisation** *(Note 1)* *(HK$ million)*	**P/E Ratio** *(Note 2)* *(times)*	**P/NAV Ratio** *(Note 3)* *(times)*
Art Textile Technology International Company Limited (Stock Code: 565)	Manufacture and sale of cotton yarn and finished woven fabrics and cotton fabrics targeting at mid to high-end markets both in the PRC and overseas	256	46.12	0.31
Billion Industrial Holdings Limited (Stock Code: 2299)	Manufacturing and sales of polyester filament fiber products, which can be further applied to apparel products	11,702	22.04	4.17
Co-Prosperity Holdings Limited (Stock Code:707)	Processing, printing and sales of finished fabrics; manufacture and sales of high density and high-end yarns; and trading of fabrics and clothing	292	N/A	0.55

Comparable Companies (Stock code)	Principal activities	Current market capitalisation *(Note 1)* *(HK$ million)*	P/E Ratio *(Note 2)* *(times)*	P/NAV Ratio *(Note 3)* *(times)*
Fountain Set (Holdings) Limited (Stock code: 420)	Production and sales of dyed fabrics, sewing threads, yarns and garments	1,112	4.97	0.42
Huafeng Group Holdings Limited (Stock code: 364)	Provision of fabrics processing services, manufacture and sale of fabrics and manufacture and sale of yarns	506	7.40	0.34
Jilin Qifeng Chemical Fiber Co., Ltd. (Stock code: 549)	Manufacturing and sales of acrylic fibre products which can be applied to garment products	632	42.20	0.56
Kam Hing International Holdings Limited (Stock code: 2307)	Production and sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting services, provision of air and ocean freight services and mining	661	6.85	0.40
Kingdom Holdings Limited (Stock code: 528)	Manufacture and sale of linen yarns	423	5.23	0.52
Texhong Textile Group Limited (Stock code: 2678)	Manufacture and sale of yarn, grey fabrics and garment fabrics.	4,653	4.65	1.77
Weiqiao Textile Company Limited (Stock code: 2698)	Production, sale and distribution of cotton yarn, grey fabric and denim	6,617	3.42	0.36
Average			**15.87**	**0.94**
Maximum			**46.12**	**4.17**
Minimum			**3.42**	**0.31**
The Company		**1,871**	**5.95**	**0.61**
The Target Group		**357**	**13.83**	**0.92**

Sources: Website of the Stock Exchange (http://www.hkex.com.hk)

Notes:

1. The market capitalisation of each of the Company and the Comparable Companies is calculated by multiplying the total outstanding number of issued shares listed on the Stock Exchange with the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date.

2. The P/E Ratio of each of the Company and the Comparable Companies is calculated as the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date divided by the respective earnings per share based on the respective latest published annual reports. The earnings per share of Billion Industrial Holdings Limited, Co-Prosperity Holdings Limited, Jilin Qifeng Chemical Fiber Co., Ltd., Kingdom Holdings Limited, Texhong Textile Group Limited and Weiqiao Textile Company Limited were dominated in RMB which are converted to HK$ as HK$1=RMB0.84.

3. The P/NAV Ratio of each of the Company and the Comparable Companies is calculated as the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date divided by the respective net asset value per share based on the respective latest published annual and interim reports. The net asset values per share of Billion Industrial Holdings Limited, Co-Prosperity Holdings Limited, Jilin Qifeng Chemical Fiber Co., Ltd., Kingdom Holdings Limited, Texhong Textile Group Limited and Weiqiao Textile Company Limited were dominated in RMB which are converted to HK$ as HK$1=RMB0.84.

As shown in Table Three above, notwithstanding that the Adjusted P/NAV Ratio and implied P/E Ratio of the Target Group is higher than those of the Company, the Adjusted P/NAV Ratio of the Target Group of approximately 0.92 times based on the Adjusted NAV of the Target Group as at 31 December 2010 as implied under the Adjusted Consideration is within the P/NAV Ratios of the Comparables Companies ranging between 0.31 times and 4.17 times and is lower than comparable to the average of 0.94 times. It is also noted that the implied P/E ratios represented by the Adjusted Consideration is within the range of present rating of the Comparable Companies between 3.42 times and 46.12 times and is lower than the average of 15.87 times. We note that the range of P/E ratios for the Comparable Companies are wide. Given the wide range, we consider that the P/E ratios may not be useful as a direct reference to the fairness and reasonableness of the Adjusted Consideration. Therefore, in forming our opinion, we have also considered the results of the P/NAV ratios together with all other factors stated in this letter as a whole.

(ii) Conclusion

Considering the foregoing and in particular, (i) the basis of determination of the Consideration is based on, among others, the audited net asset value of the Target Group, the value of the Sale Loan and the Valuation Report; (ii) the Adjusted P/NAV Ratio of the Target Group is within the range of P/NAV Ratios of the Comparables Companies and is comparable to the average of 0.94 times; and (iii) the Acquisition will provide an opportunity for the Group to enhance its business model and gain access to the upstream operation, we are of the opinion that the Consideration (including the basis of determination) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) Valuation Report

In assessing the fairness and reasonableness of the Adjusted Consideration, we have considered the valuation of the property interests held by Nanjing Synergy (the "**Valuation**") in the Valuation Report. According to the Valuation Report, the market value of the property interests held by the Target Group is valued at approximately RMB301 million (equivalent to approximately HK$364 million) as at 31 May 2011.

We have reviewed the Valuation Report and discussed with the Property Valuer regarding, among others, the assumptions, bases and methodologies adopted for the Valuation. It is noted that the Property Valuer considered that due to the nature of the buildings and structures of property interests and the particular location in which they are situated, there are unlikely to have relevant market comparable sales readily available, therefore, the Property Valuer has adopted the depreciated replacement cost approach. The depreciated replacement cost approach is based on an estimate of the market value for the existing use of the land plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and relevant forms of obsolescence and optimisation. In addition, we were advised by the Property Valuer that in arriving at the Valuation, it has adopted a number of assumptions that (i) all land payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government; (ii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities and all necessary authorisations and permits have been obtained in respect of the construction works; (iii) the property can be freely transferred, leased or mortgaged by Nanjing Synergy without payment of any further land premium and other onerous outgoings; and (iv) the property is based on a 100% attributable interest. Further to our discussion with the Property Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the Valuation.

(d) Consideration Shares

The Consideration for the Acquisition of HK$450 million shall be satisfied by an issue of 257,584,430 Consideration Shares by the Company, which represents approximately 21.07% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 17.40% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. The issue price per Consideration Shares is determined at HK$1.747 (the "**Issue Price**"). As advised by the Company, the Issue Price was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the prevailing Share price at the time of the Acquisition Agreement.

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the price performance of the Shares during the period from 1 April 2010 (being the 12 calendar months period prior to the date of the Acquisition Agreement) up to the Latest Practicable Date (the "**Review Period**").

The graph below illustrates the closing price levels of the Shares during the Review Period:

Chart One

As illustrated in Chart One above, the Shares recorded the lowest closing price of HK$1.19 per Share on 26 May 2010 and the highest closing price of HK$2.12 per Share on 8 October 2010 during the Review Period. The Issue Price represents a premium of approximately 46.8% over such lowest closing price of the Share and a discount of approximately 17.6% to such highest closing price of the Share. Further, the Issue Price represents:

- a premium of approximately 5.9% over the closing price of the Shares of HK$1.65 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a premium of approximately 5.9% over the average closing price of approximately HK$1.65 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

- a premium of approximately 8.0% over the average closing price of approximately HK$1.618 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

- a premium of approximately 14.2% over the closing price of the Shares of approximately HK$1.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

- a discount of approximately 42.0% to the net asset value per Share of approximately HK$3.01 as at 30 September 2010.

Notwithstanding that the Issue Price is at a discount of approximately 42.0% to the net asset value per Share as at 30 September 2010, considering that the Issue Price is within the range of the lowest and the highest price of the Shares in the Review Period and the Issue Price is at a premium over the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and the Latest Practicable Date, we are of the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

(e) Lock-up arrangement for the Consideration Shares

Pursuant to the Acquisition Agreement, the Vendor undertakes that, without the prior written consent of the Company, the Vendor shall not, and shall procure that none of its associates or companies controlled by it or nominees or trustees holding in trust for it shall, sell, transfer or otherwise dispose of (or enter into any agreement to dispose of) any Consideration Shares held by the Vendor, or any Consideration Shares held directly or indirectly by the Vendor or its associates, in any company controlled by them which is the beneficial owner of any such Consideration Shares nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their direct or indirect interests in such Consideration Shares during a period commencing from the date of the Acquisition Completion and ending on the date which is the first anniversary of the date of the Acquisition Completion. We concur with the Company that the lock-up arrangement for the Consideration Shares can help to ensure the alignment of interest of the Vendor with that of the Company during the lock-up period, and at the same time relieve an immediate downward pressure on the Share price which may result from the dumping of huge blocks of Share by the Vendor.

(f) Conclusion

Having considered (i) the reasons for and benefits of the Acquisition as discussed in section (1) above; and (ii) that the Consideration is considered to be fair and reasonable as discussed in subsection (b) above, we are of the view that the terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

3. Financial impacts of the Acquisition on the Group

Upon the Acquisition Completion, the Target Group will become wholly-owned subsidiaries of the Company, and hence, its financial results will be consolidated in the Group's financial statements. As discussed in section (1) above, the Directors expect that, as a result of the Acquisition, the asset base and profitability of the Group will be enhanced.

As advised by the management of the Company, the gearing ratio (defined as the total borrowings (excluding bills discounted and debts factored, and net of bank balances and cash) to shareholders' funds) as at 30 September 2010 and 31 March 2011 was approximately 33% and 23% respectively. Given that (i) the Consideration will be settled by the issue of the Consideration Shares which is not expected to have any material negative impact on the net profit, net asset value and gearing ratio of the Group; and (ii) the Target Group has net assets of approximately HK$135.0 million as at 31 December 2010 and net profit of approximately HK$25.8 million for the year ended 31 December 2010 as described in section (1)(b) above, the Directors expect that the consolidated net profit and net asset value of the Group will increase and there will not be material adverse impact on the gearing ratio upon the Acquisition Completion.

As disclosed in the Interim Report and the Results Announcement, the Group had unaudited bank balances and cash and net current assets of approximately HK$610.5 million and HK$1,992.5 million respectively as at 30 September 2010 and approximately HK$709.5 million and HK$2,386.7 million as at 31 March 2011. In addition, net cash inflow from operating activities amounted to approximately HK$6.3 million for the six months ended 30 September 2010. Having considered (i) the historical track record and cash flow position of the Group; (ii) the present internal financial resources and banking facilities available to the Group; and (iii) the profitability of the Target Group, the Directors expect that the Acquisition will not have a material adverse impact on the working capital position of the Group.

In view of the foregoing, we are of the opinion that the Acquisition will not have a material adverse impact on the Group's financial position upon the Acquisition Completion in this regard.

4. Potential dilution to shareholding of the existing public Shareholders

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date, and for illustrative purpose, the effects to the shareholding of the Company upon the issue of the Consideration Shares (assuming that there will be no change in the Company's shareholding structure from the Latest Practicable Date to the date of the Acquisition Completion):

Table Four

Shareholder	**As at the Latest Practicable Date**		**Immediately after the Acquisition Completion (i.e. after allotment of 257,584,430 Consideration Shares)**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Parties acting in concert with the Vendor				
Pearl Garden Pacific Limited	196,386,000 *(Note 1)*	16.06	325,178,215	21.97
Madian Star Limited	196,386,000 *(Note 2)*	16.06	325,178,215	21.97
Mr. Li	–	–	–	–
Mr. Chen	1,715,000	0.14	1,715,000	0.12
Sub-total	***394,487,000***	***32.27***	***652,071,430***	***44.05***
Directors other than Mr. Li and Mr. Chen	***8,286,000***	***0.68***	***8,286,000***	***0.56***
Public	819,781,473	67.05	819,781,473	55.39
Total	**1,222,554,473**	**100.00**	**1,480,138,903**	**100.00**

Notes:

1. These Shares were held by Pearl Garden Pacific Limited. As at the Latest Practicable Date, Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li's family.

2. These Shares were held by Madian Star Limited. As at the Latest Practicable Date, Madian Star Limited is wholly-owned by Yonice Limited, the entire share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen's family.

As illustrated in Table Four above, upon the issue of the Consideration Shares, the shareholding interests of the existing public Shareholders will be diluted from approximately 67.05% to 55.39%.

Having considered (i) the reasons for and benefits of the Acquisition discussed in section (1)(c) above; (ii) that the Consideration and the Issue Price are considered to be fair and reasonable so far as the Independent Shareholders are concerned; and (iii) that the shareholding of all existing public Shareholders will be diluted proportionally to their respective shareholdings upon the issue of the Consideration Shares, we consider the aforementioned potential dilution effect to be acceptable in this regard.

5. The Whitewash Waiver

As at the Latest Practicable Date, the Vendor and parties acting in concert with it, including Pearl Garden Pacific Limited, Madian Star Limited, Mr. Li and Mr. Chen hold in an aggregate of 394,487,000 Shares, representing approximately 32.27% of the issued share capital of the Company. The Directors have confirmed to us that neither the Vendor nor parties acting in concert with it holds any warrants, options, derivatives, convertible securities or other securities in issue of the Company.

As discussed in section (2)(d) above, the Consideration will be satisfied in full by the issue of 257,584,430 Consideration Shares. Immediately following the issue of the Consideration Shares, the Vendor and parties acting in concert with it will be interested in 652,071,430 Shares, representing approximately 44.05% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the date of the Acquisition Completion save for the issue of the Consideration Shares). An analysis of the shareholding interest of Mr. Li, Mr. Chen, the Vendor and their concert parties on various assumptions is set out in section (4) above. Under Rule 26.1 of the Takeovers Code, the Vendor and parties acting in concert with it would be obligated to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with it, unless the Whitewash Waiver is approved by the Independent Shareholders by poll at the SGM and is granted by the Executive. The Vendor and parties acting in concert with it has applied to the Executive for the Whitewash Waiver and the Executive has indicated that he/she will grant the Whitewash Waiver to the Vendor and parties acting in concert with it, subject to the approval of the Whitewash Waiver by the Independent Shareholders at the SGM by way of a poll.

As advised by the Directors, the Vendor has confirmed that neither themselves nor any of parties acting in concert with it have acquired any voting rights in the Company or dealt for value in any Shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect of the securities of the Company during the six months immediately prior to the date of release of the Announcement and have no intention to acquire or dispose of any voting rights in the Company during the period between the Latest Practicable Date and the date of the SGM.

It is noted that the Acquisition Completion is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll and the granting of the Whitewash Waiver by the Executive to the Vendor and parties acting in concert with it, which cannot be waived by any of the relevant parties to the Acquisition Agreement. If the Whitewash Waiver is not approved by the Independent Shareholders and/or granted by the Executive, the Acquisition Agreement will lapse and the Acquisition will not proceed even if the other conditions precedent to the Acquisition Agreement are fulfilled. As such, no general offer obligation under Rule 26 of the Takeovers Code will be triggered. In the event that the Acquisition cannot proceed, the Group and the Shareholders will not be able to enjoy the commercial benefits that would arise from the Acquisition, in particular, the Acquisition being an important step in implementing the Group's stated business objectives and strategies and the potential enhancement in the Group's cost efficiency and production capability as discussed in section (1)(c) above.

RECOMMENDATION

Having considered the principal factors and reasons discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the existing business mode of the Group and the reasons for and benefits of the Acquisition as discussed in section (1) above;
- that the Acquisition is in line with the Group's stated business objectives and strategies as discussed in section (1)(c) above;
- that the Consideration (including the basis of determination) is fair and reasonable as discussed in section (2) above;
- that there will be no material adverse impact on the financial position of the Group as a result of the Acquisition; and
- that the Acquisition Completion is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll and the granting of the Whitewash Waiver by the Executive to the Vendor and parties acting in concert with it,

we consider that the entering into of the Acquisition Agreement by the Group is conducted within its ordinary and usual course of business based on normal commercial terms, and the terms thereof and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisition and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Richard D. Winter
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 May 2011 of the property interests of the Group.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

30 June 2011

The Board of Directors
Victory City International Holdings Limited

Dear Sirs,

In accordance with your instructions to value the properties in which Victory City International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), Hong Kong, Macau, Indonesia, Jordan, Cambodia and United States of America (the "USA"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 May 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have attributed no commercial value to the property interest in Group I, which has not been assigned to the Group as at the date of valuation.

Where, due to the nature of the buildings and structures of the properties in the PRC and Jordan, there are no market sales comparables readily available, the property interests in Group II and Group VII have been valued on the basis of their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Group III, Group V, Group VI and VIII, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

We have valued the property interests in Group IV by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Codes on Takeovers and Mergers issued by Securities and Futures Commission, RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of tenancy agreement relating to the property interests and have caused searches to be made at the Hong Kong Land Registry and Macau Land Registry. However, we have not searched the original document to verify the ownership or to ascertain any amendment. We have relied considerably on the advice given by the Company’s overseas legal advisers concerning the validity of the ownership and tenancy agreements relating to the property interests in Macau, Jordan and Indonesia respectively.

We have been shown copies of various title documents and tenancy agreements relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – GFE Law Office, concerning the legal title and validity of the tenancy agreements of property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

According to the Company, the potential tax liabilities would arise on disposal of the property interests held by the Group in the PRC, at the amount of market value minus the cost of purchase, comprise Chinese business tax (5% of net revenue), Chinese land appreciation tax (ranging from 30% to 60% of the appreciated amount), Chinese corporate income tax and Chinese stamp duty (0.05% of the consideration stated in sales contract). The exact amount of the tax payable upon realization of the relevant properties will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal by presenting the relevant transaction documents. Further, as advised by the Group, the likelihood of the potential tax liability of the property being crystallized is remote as the Company has no intention to dispose of its property interest.

According to the Company, the potential tax liabilities would arise on disposal of the property interests held by the Group in Hong Kong, at the amount of market value comprise Hong Kong corporation profit tax of 16.5% with effect from the year of assessment 2008/09. Further, as advised by the Group, since the Group has no intention to dispose of its property interests in Hong Kong, it is unlikely that such potential tax liabilities arising from the disposal of the subject properties will be crystallized in the near future.

Accordingly to the Company, the potential tax liabilities would arise on disposal of the property interests held by the Group in Jordan, at the amount of market value comprise Jordan profit tax of 14%. Further, as advised by the Group, since the Group, since the

Group has no intention to dispose of its property interests in Jordan, it is unlikely that such potential tax liabilities arising from the disposal of the subject property will be crystallized in the near future.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rates adopted in our valuations are approximately RMB1= HKD1.199, RMB1= JOD0.1093 which were approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited
Gilbert C.H. Chan
MRICS MHKIS RPS(GP)
Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 19 years' experience in the valuation of properties in the PRC and 18 years of property valuation experience in Hong Kong, the United Kingdom as well as relevant experience in the Asia-Pacific region and the USA.

SUMMARY OF VALUES

Group I – Property interest contracted to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
1.	A parcel of land, various buildings and structures located at Eastern side of Lishui Street and Southern side of Shengan Avenue No. 2 Shengan Avenue Binjiang Economy Development Zone Nanjing City Jiangsu Province the PRC	No commercial value		No commercial value
	Sub-total:	**Nil**		**Nil**

Group II – Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
2.	14 parcels of land and various buildings and structures located at No. 1 Industrial Road East Industrial Development Zone Gong Mei Shan Luokeng Town Xinhui District Jiangmen City Guangdong Province the PRC	687,910,000	100%	687,910,000

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
3.	3 parcels of land and various buildings and structures located at Northeastern side of Yingbin East Road Jinfeng Industrial Development District Chen Chong Village Committee Gong Mei Shan Luokeng Town Xinhui District Jiangmen City Guangdong Province the PRC	74,650,000	37.26%	27,810,000
	Sub-total:	**762,560,000**		**715,720,000**

Group III – Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
4.	Rooms 01-08 on Level 10 Block C Tianan International Building Renmin South Road Luohu District Shenzhen the PRC	No commercial value		No commercial value
5.	Levels 1 and 2 Industrial Block 3 Xinnan Xinxiu Industrial Zone Luohu District Shenzhen the PRC	No commercial value		No commercial value
6.	Southeastern portion on Level 2 No. 6 of 356 Nong Yunlingxi Road Putuo District Shanghai the PRC	No commercial value		No commercial value
7.	Southwestern portion on Level 2 No. 6 of 356 Nong Yunlingxi Road Putuo District Shanghai the PRC	No commercial value		No commercial value

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
8.	Unit D on Level 20 Car Parks No. 81 on Basement Level 1B District No. 33 Huangpu Avenue West Road Sanxin Building Tianhe District Guangzhou Guangdong Province the PRC	No commercial value		No commercial value
9.	Nos. 3-2, 4, 6, 9, 11 and 12 Jinguzhou Foreign Trade Pier Xinhui District Jiangmen City Guangdong Province the PRC	No commercial value		No commercial value
10.	Levels 1 to 5 No. 23 Center North Road Luokeng Town Xinhui District Jiangmen City Guangdong Province the PRC	No commercial value		No commercial value
11.	Levels 1 and 2 No. 42 Yingbin East Road Luokeng Town Xinhui District Jiangmen City Guangdong Province the PRC	No commercial value		No commercial value

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
12.	No. 4 Warehouse of Jiangmen Kerun Appliances Limited Yinzhouhu Avenue Xinhui District Jiangmen City Guangdong Province the PRC	No commercial value		No commercial value
13.	Unit 1105 Qili Building No. 2 Nanjing Road Qingdao Shandong Province the PRC	No commercial value		No commercial value
	Sub-total:	**Nil**		**Nil**

Group IV – Property interests owned and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
14.	Units 3A-B, D-H on 3rd Floor, Units 4G-H on 4th Floor, Unit 10F on 10th Floor and Car Parking Space Nos. L13, P2 and P8 Winfield Industrial Building No. 3 Kin Kwan Street Tuen Mun New Territories Hong Kong	28,730,000	100%	28,730,000

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
15.	19th Floor and Car Parking Spaces Nos. P21-P25 on 2nd Floor Ford Glory Plaza Nos. 37-39 Wing Hong Street Cheung Sha Wan Kowloon Hong Kong	33,360,000	37.26%	12,430,000
	Sub-total:	62,090,000		41,160,000

Group V – Property interests rented and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
16.	Unit 3C and Parking Space Nos. L2, L12, P7 and P12 Winfield Industrial Building No. 3 Kin Kwan Street Tuen Mun New Territories Hong Kong	No commercial value		No commercial value
	Sub-total:	**Nil**		**Nil**

Group VI – Property interests rented and occupied by the Group in Macau

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
17.	Unit F on 14th Floor Banco Luso Internacional Nos. 1-3 Rua Do Dr. Pedro Jose Lobo Macau	No commercial value		No commercial value
18.	Unit L on 10th Floor and Car Parking Space No. 27 The Macau Square No. 47 Avenida Do Infante D. Henrique Macau	No commercial value		No commercial value
19.	Unit I, 11th Floor Jardim Iat Lai Nos. 212-250 Avenida Do Conselheiro Borja Macau	No commercial value		No commercial value
	Sub-total:	**Nil**		**Nil**

Group VII – Property interest held and occupied by the Group in Jordan

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
20.	Block F Industrial Building located at plot number 1340 parcel number 3 A1 Raqeem A1 Tajamouat Industrial City South Amman Jordan	32,020,000	37.26%	11,930,000
	Sub-total:	**32,020,000**		**11,930,000**

Group VIII – Property interests rented and occupied by the Group in Overseas Countries

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
21.	Blocks A06, B03-04, B05 and B05 Extension Kawasan Industri Tanjung Emas Export Processing Zone Jln. Coaster No. 8 Semarang Indonesia	No commercial value		No commercial value
22.	Trea Village S/K Steung Mean Chey Khan Mcan Chey Phnom Penh Cambodia	No commercial value		No commercial value

No.	Property	Capital value in existing state as at 31 May 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 May 2011 *RMB*
23.	4th Floor 14 31 Broadway New York, NY10018 USA	No commercial value		No commercial value
	Sub-total:	**Nil**		**Nil**
	Total:	**856,670,000**		**768,810,000**

VALUATION CERTIFICATE

Group I – Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
1.	A parcel of land, various buildings and structures located at Eastern side of Lishui Street and Southern side of Shengan Avenue No. 2 Shengan Avenue Binjiang Economy Development Zone Nanjing City Jiangsu Province the PRC	The property comprises a parcel of land with a site area of approximately 333,259.8 sq.m. and 9 industrial buildings and ancillary structures erected thereon which were completed in about 2006. The property has a total gross floor area of approximately 82,797.51 sq.m. The buildings mainly include industrial buildings, warehouses and dormitory buildings. The structures mainly include boundary fences, roads, water tanks and gates. The land use rights of the property have been granted for a term of 50 years expiring on 27 December 2056 for industrial use.	The property is currently occupied owner-occupied for production, warehouse and staff quarter purposes.	No commercial value

Notes:

1. The Group has entered into the conditional sale and purchase agreement with Time View Investment Limited (a connected party) dated 13 April 2011, pursuant to which the Group has conditionally agreed to acquire the Sale Share and the entire loan owing by Global Honour Investments Limited (a connected party) to Time View Investment Limited at a total consideration of HKD450,000,000. The principle asset of the Global Honour Investment Limited is its 100% direct equity interest in Nanjing Synergy Textiles Limited ("Nanjing Synergy") (南京新一棉紡織印染有限公司).

2. As at the date of valuation, the property has not been assigned to the Group and thus the title of the property has not been vested in the Group. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB301,460,000, on condition that the relevant title certificates have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

3. Pursuant to a State-owned Land Use Rights Certificate – Jiang Ning Guo Yong (2007) Zi Di No. 28930, the land use rights with a site area of approximately 333,259.8 sq.m. have been granted to Nanjing Synergy a connected party, for a term of 50 years expiring on 27 December 2056 for industrial use.

4. Pursuant to 9 Building Ownership Certificates – Jiang Ning Fang Quan Zheng Dong Shan Zi Di Nos. JN0080834, JN0080835, JN0080836, JN0080837, JN0080838, JN0080839, JN0080840, JN0080841 and JN0080842, 9 industrial buildings with a total gross floor area of approximately 82,797.51 sq.m. are owned by Nanjing Synergy.

5. Pursuant to a Maximum Amount Credit Facility Contract – No. FACNAJ100009 dated 13 May 2010, a parcel of land with a site area of approximately 333,259.8 sq.m. under the State-owned Land Use Rights Certificate – Jiang Ning Guo Yong (2007) Zi Di No. 28930 and 9 buildings under Building Ownership Certificates – Jiang Ning Fang Quan Zheng Dong Shan Zi Di Nos JN0080834, JN0080835, JN0080836, JN0080837, JN0080838, JN0080839, JN0080840, JN0080841 and JN0080842, 9 industrial buildings with a total gross floor area of approximately 82,797.51 sq.m are subject to a mortgage in favour of Nanjing Branch of Hang Seng Bank (China) Limited for a maximum amount of RMB40,000,000.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Nanjing Synergy is the sole owner of the property and has right to occupy, use, lease, transfer, mortgage or otherwise dispose of the property; and

   b. Expect for the aforesaid mortgage, the property is not subject to any restrictions arising from any other mortgage sequestration or any third parties rights.

VALUATION CERTIFICATE

Group II – Property interest owned and occupied by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 May 2011** *RMB*
2.	14 parcels of land and various buildings and structures located at No. 1 Industrial Road East Industrial Development Zone Gong Mei Shan Luokeng Town Xinhui District Jiangmen City Guangdong Province the PRC	The property comprises 14 parcels of land with a total site area of approximately 297,245 sq.m. and 65 buildings and various structures erected thereon which were completed in various stage between 1981 and 2008. The buildings have a total gross floor area of approximately 273,962.5 sq.m. The buildings mainly include industrial buildings, an office building, staff quarters, boiler rooms and warehouses, etc. The structures mainly include boundary fences, roads, power plants, water tanks, pipes and gates. The land use rights of the property have been granted for various terms with expiry dates between 15 July 2044 and 21 July 2056 for industrial use.	The property is currently occupied by the Group for production, office, staff quarters and storage purposes.	687,910,000 100% interest attributable to the Group: RMB687,910,000

Notes:

1. Pursuant to 11 State-owned Land Use Rights Certificates – Xin Guo Yong (2007) Di Nos. 01105, 01106, 01110, 01108, 01109, 01107, 01144, 01145 and 01143; Xin Fu Guo Yong (Chu 2000) Zi Di No. 2101863 and (1997) Zi Di No. 0700254, the land use rights with a total site area of approximately 108,400 sq.m. has been granted to 江門市新會區冠華針織廠有限公司, an indirect wholly-owned subsidiary of the Company, for various terms with expiry dates between 15 July 2044 and 21 July 2056 for industrial use.

2. Pursuant to a State-owned Land Use Rights Certificates – Xiu Guo Yong (2007) Di No. 01103, the land use rights with a site area of approximately 31,735 sq.m. has been granted to 江門市新會區揚名針織廠有限公司, an indirect wholly-owned subsidiary of the Company, for a term with the expiry date on 30 May 2058 for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate – Xin Guo Yong (2003) Di No. 0742, the land use rights with a site area of approximately 47,458 sq.m. has been granted to 江門錦豐科技纖維有限公司, an indirect wholly-owned subsidiary of the Company, for a term with the expiry date on 27 February 2053 for industrial use.

4. Pursuant to a Collective-owned Land Use Rights – Xin Ji Yong (2004) Di No. 00355, the land use rights with a site area of approximately 109,652 sq.m. has been granted to 江門豐華針織廠有限公司 for a term with the expiry date on 1 December 2053 for industrial use.

5. Pursuant to 28 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C5035518, C5035519, C5035520, C5035589, C5035590, C5035592, C5035593, C7047371, C0931936, C5035791, C4110676, C4110671, C4110677, C4110675, C4110678, C4110674, C4110672, C4110670, C4110682, C4110679, C4110683, C4110668, C4110669, C4110673, C4117004, C5042319, C5042320 and C5042321, 28 buildings with a total gross floor area of approximately 89,616.08 sq.m. are owned by 江門市新會區冠華針織廠有限公司.

6. Pursuant to 9 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C7047369, C6083314, C6083311, C6083316, C6083313, C6083309, C6083312, C6083315 and C6083317, 9 buildings with a total gross floor area of approximately 103,155.65 sq.m. are owned by 江門豐華針織廠有限公司.

7. Pursuant to 2 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C6083318 and C7047370, 2 buildings with a total gross floor area of approximately 52,010.85 sq.m. are owned by 江門錦豐科技纖維有限公司.

8. In the valuation of this property, we have attributed no commercial value to the 26 buildings with a total gross floor area of approximately 29,116.92 sq.m., which have not obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB139,240,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

9. Pursuant to a Mortgage Contract of Maximum Amount – GDY475022007048 dated 29 May 2007, the land use rights of a parcel of land with a Site area of approximately 21,452 sq.m. under the State-owned Land Use Rights Certificate – Xin Guo Yong (2007) Di No. 01105 is subject to a mortgage in favour of Jiangmen Branch of Bank of China Limited, as security to guarantee the principal obligation under a series of contracts for a maximum amount of RMB5,405,900 with the security term from 30 March 2007 to 31 December 2017.

10. Pursuant to a Mortgage Contract of Maximum Amount – GDY475022007049 dated 29 May 2007, the land use rights of a parcel of land with a site are of approximately 3,478 sq.m. under the State-owned Land Use Rights Certificate – Xin Guo Yong (2007) Di No. 01106 is subject to a mortgage in favour of Jiangmen Branch of Bank of China Limited, as security to guarantee the principle obligation under a series of contracts for a maximum amount of RMB876,500 with the security term from 30 March 2007 to 31 December 2017.

11. Pursuant to a Mortgage Contract of Maximum Amount – GDY475022007050 dated 29 May 2007, the land use rights of a parcel of land with a site are of approximately 16,612 sq.m. under the State-owned Land Use Rights Certificate – Xin Guo Yong (2007) Di No. 01110 is subject to a mortgage in favour of Jiangmen Branch of Bank of China Limited, as security to guarantee the principle obligation under a series of contracts for a maximum amount of RMB4,186,200 with the security term from 30 March 2007 to 31 December 2017.

12. Pursuant to a Mortgage Contract of Maximum Amount – DY475022007051, 7 buildings with a total gross floor area of 14,582.78 sq.m. under the Building Ownership Certificates – Yue Fang Di Zheng Di Nos. C5035789, C5035790, C5035520, C5035518, C5035519, C503793 and C5035792 are subject to a mortgage in favour of Jiangmen Branch of Bank of China Limited, as security to guarantee the principle obligation under a series of contracts for a maximum amount of RMB8,955,900 with the Security term from 30 March 2007 to 31 December 2017.

13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. The property is legally owned by the Group and the Group has the right to use, transfer, lease or mortgage the property in accordance with the relevant laws; and

    b. Expect for the aforesaid mortgage, the property is not subject to any restrictions arising from any other mortgage sequestration or any third parties rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
3.	3 parcels of land and various buildings and structures located at Northeastern side of Yingbin East Road Jinfeng Industrial Development District Chen Chong Village Committee Gong Mei Shan Luokeng Town Xinhui District Jiangmen City Guangdong Province the PRC	The property comprises 3 parcels of land with a total site area of approximately 65,677 sq.m. and 7 buildings and various structures erected thereon which were completed in various stage between 2002 and 2008. The buildings have a total gross floor area of approximately 37,392 sq.m. The buildings mainly include industrial buildings, staff quarters and stores, etc. The land use rights of the property have been granted for a term with expiry date on 17 July 2050 for industrial use.	Expect for a portion of land which is currently leased to a connected party (see note 3), the property is currently occupied by the Group for production, ancillary office, staff quarters and storage purposes.	74,650,000 37.26% interest attributable to the Group: RMB27,810,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Xin Guo Yong (2007) Di Nos. 1102, 1103 and 1104, the land use rights with a total site area of approximately 65,677 sq.m. has been granted to Jiangmen V-Apparel Manufacturing Ltd. (“Jiangmen Factory”) (江門冠暉制衣有限公司), an indirect 37.26% owned subsidiary of the Company for a term with the expiry date on 17 July 2050 for industrial use.

2. Pursuant to 7 Real Estate Title Certificates – Yue Fang Ti Cheng Zi Di Nos. C7047122, C7047123, C7047124, C7047125, C7047126, C7047127 and C7047128, the buildings with a total gross floor area of approximately 37,392 sq.m. are owned by Jiangmen Factory for a term with the expiry date on 17 July 2050 for industrial use.

3. Pursuant to a Tenancy Agreement made between Victory City Holdings Limited as Tenant (a connected party), and Jiangmen Factory as Landlord, the site consists of 2 parcels of land with a total site area of approximately 15,585 sq.m. under 2 State-owned Land Use Rights Certificates – Xin Guo Yong (2007) Nos. 1103 and 1104. The site is rented by the Tenant for a term commencing from 19 November 2009 and expiring on 31 March 2012 at a rental of RMB33,000 per month.

4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

   a. The property is legally owned by the Group and the Group has the right to use, transfer, lease or mortgage the property in accordance with the relevant laws;

   b. The Tenancy Agreement regarding 2 parcels of land is legal, valid and binding of both parties; and

   c. The property is not subject to any encumbrance or mortgage.

VALUATION CERTIFICATE

Group III – Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
4.	Rooms 01-08 on Level 10 Block C Tianan International Building Renmin South Road Luohu District Shenzhen the PRC	The property comprises a unit on Level 10 of a 31- storey commercial/office building completed in about 1993. The property has a gross floor area of approximately 944.60 sq.m. Pursuant to a Tenancy Agreement made between Ford Glory (Shenzhen) International Ltd. (福源創業信息咨詢服務(深圳)有限公司), as Lessee and Bandai (H.K.) Co., Ltd., as Lessor, an independent third party, the property is leased by the Group for a term commencing from 1 February 2010 and expiring on 31 August 2012 at a monthly rent of RMB47,230 exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Ford Glory (Shenzhen) International Ltd. is an indirect 37.26% owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the Tenancy Agreement regarding the property is legal, valid and binding; and

   b. the Tenancy Agreement has been registered with the relevant government authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
5.	Levels 1 and 2 Industrial Block 3 Xinnan Xinxiu Industrial Zone Luohu District Shenzhen the PRC	The property comprises two units on Levels 1 and 2 of a 6-storey industrial building completed in about 1987. The property has a total gross floor area of approximately 1,634 sq.m. Pursuant to 2 Tenancy Agreements made between Ford Glory (Shenzhen) International Ltd.（福源創業信息咨詢服務(深圳)有限公司), as Lessee and Shenzhen Fitout Company Limited（深圳市菲德實業有限公司), as Lessor, an independent third party, the property is leased by the Group for a common term commencing from 1 January 2011 and expiring on 31 December 2013 at a monthly rent of RMB26,112 and RMB21,268 respectively.	The property is currently occupied by the Group for storage with ancillary office and production purposes.	No commercial value

Notes:

1. Ford Glory (Shenzhen) International Ltd.（福源創業信息咨詢服務(深圳)有限公司）is an indirect 37.26% owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. the Tenancy Agreement regarding the property is legal, valid and binding; and

    b. the Tenancy Agreement has been registered with the relevant government authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
6.	Southeastern Portion on Level 2 No. 6 of 356 Nong Yunlingxi Road Putuo District Shanghai the PRC	The property comprises a unit on Level 2 of a 9-storey industrial building completed in about 2000s. The property has a gross floor area of approximately 318 sq.m. Pursuant to a Tenancy Agreement made between Ford Glory Trading (Shanghai) Limited (福之源貿易(上海)有限公司), as Lessee and Shanghai Zhenteng Warehouse Limited (上海真騰倉儲有限責任公司), as Lessor, an independent third party, the property is leased by the Group for a term commencing on 10 November 2010 and expiring on 9 November 2011 at a rental of RMB110,266.5 per annum.	The property is currently occupied by the Group for storage with ancillary office purposes.	No commercial value

Notes:

1. Ford Glory Trading (Shanghai) Limited is an indirect 37.26% owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. the Tenancy Agreement regarding the property is legal, valid and binding; and

    b. the Tenancy Agreement has not been registered with the relevant government authority, but the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
7.	Southwestern portion on Level 2 No. 6 of 356 Nong Yunlingxi Road Putuo District Shanghai the PRC	The property comprises a unit on Level 2 of a 9-storey industrial building completed in about 2000s. The property has a gross floor area of approximately 300 sq.m. Pursuant to a Tenancy Agreement made between Teelocker Limited (藝田貿易(上海)有限公司), (previously entered by Sky Winner Investment Limited (天榮投資有限公司) as lessee) as Lessee and Shanghai Zhenteng Warehouse Limited (上海真騰倉儲有限責任公司), as Lessor, an independent third party, the property is leased by the Group for a term commencing on 10 November 2010 and expiring on 9 November 2011 at a rental of RMB104,265 per annum, exclusive of other outgoing expenses.	The property is currently occupied by the Group for storage with ancillary office purposes.	No commercial value

Notes:

1. Teelocker Limited is an indirect 26.8% owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the Tenancy Agreement regarding the property is legal, valid and binding; and

   b. the Tenancy Agreement has not been registered with the relevant government authority, but the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
8.	Unit D on Level 20 Car Park No. 81 on Basement Level 1B District No. 33 Huangpu Avenue West Road Sanxin Building Tianhe District Guangzhou Guangdong Province the PRC	The property comprises a unit on Level 20 and a car park of a 28 storey office building completed in about 2002. The property has a gross floor area of approximately 114.3 sq.m. Pursuant to 2 Tenancy Agreements made between 江門市新會區冠華針織廠有限公司, as Lessee and Guangzhou Sanxin Industrial Limited (廣州三新實業有限公司), as Lessor, an independent third party, the property is leased by the Group for a term commencing from 1 August 2010 and expiring on 31 July 2011 at total rental of RMB9,401.1 per month, exclusive of other outgoing expenses.	The property is currently occupied by the Group for office and car parking purposes.	No commercial value

Notes:

1. 江門市新會區冠華針織廠有限公司 is an indirect wholly-owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. We have not been provided ownership title documents or registration documents. We cannot ascertain the legitimacy of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
9.	Nos. 3-2, 4, 6, 9, 11 and 12 Jinguzhou Foreign Trade Pier Xinhui District Jiangmen City Guangdong Province the PRC	The property comprises 7 single storey warehouse building completed in about 1980s. The property has a total gross floor area of approximately 7,036 sq.m. Pursuant to a Tenancy Agreement made between 江門市新會區冠華針織廠有限公司, as Lessee and Jiangmen City Zaisheng Logistic Development Limited (江門市在勝物流發展有限公司), as Lessor, an independent third party, the property is leased by the Group for a term commencing from 1 January 2011 and expiring on 30 June 2011 and tenancy will be renewed after expiry date, at rental of RMB42,216 per month, exclusive of other outgoing expenses.	The property is currently occupied by the Group for storage purpose.	No commercial value

Notes:

1. 江門市新會區冠華針織廠有限公司 is an indirect wholly-owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. The Tenancy Agreement regarding the property is legal, valid and binding.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
10.	Levels 1 to 5 No. 23 Center North Road Luokeng Town Xinhui District Jiangmen City Guangdong Province the PRC	The property comprises units on Levels 1 to 5 of a 6-storey residential building completed in about 2006. The property has a gross floor area of approximately 2,665.5 sq.m. Pursuant to a Tenancy Agreement made between 江門市新會區冠華針織廠有限公司, as Lessee and Linjing Hao（林景豪）, as Lessor, an independent third party, the property is leased by the Group for a term commencing from 1 January 2011 and expiring on 30 December 2012 at rental of RMB14,660 per month, exclusive of other outgoing expenses.	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. 江門市新會區冠華針織廠有限公司 is an indirect wholly-owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. We have not been provided ownership title documents or registration documents. We cannot ascertain the legitimacy of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
11.	Levels 1 and 2 No. 42 Yingbin East Road Luokeng Town Xinhui District Jiangmen City Guangdong Province the PRC	The property comprises a 2-storey warehouse building completed in about 1990s. The property has a gross floor area of approximately 1,650 sq.m. Pursuant to a Tenancy Agreement made between 江門市新會區冠華針織廠有限公司, as Lessee and Lin Yun Di (林運娣), as Lessor, an independent third party, the property is leased by the Group for a term commencing from 16 January 2011 and expiring on 15 January 2012 at rent of RMB9,570 per month, exclusive of other outgoing expenses.	The property is currently occupied by the Group for storage purpose.	No commercial value

Notes:

1. 江門市新會區冠華針織廠有限公司 is an indirect wholly-owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. We have not been provided ownership title documents or registration documents. We cannot ascertain the legitimacy of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
12.	No. 4 Warehouse of Jiangmen Kerun Appliances Limited Yinzhouhu Avenue Xinhui District Jiangmen City Guangdong Province the PRC	The property comprises a whole floor unit of a single storey warehouse building completed in about 2009. The property has a gross floor area of approximately 1,056 sq.m. Pursuant to a Tenancy Agreement made between 江門市新會區冠華針織廠有限公司, as Lessee and Jiangmen Kerun Appliances Limited (江門市科潤電器有限公司), as Lessor, an independent third party, the property is leased by the Group for a term commencing from 1 March 2011 and expiring on 31 May 2012 at rental of RMB40,560 per month, exclusive of other outgoing expenses.	The property is currently occupied by the Group for storage purpose.	No commercial value

Notes:

1. 江門市新會區冠華針織廠有限公司 is an indirect wholly-owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. We have not been provided ownership title documents or registration documents. We cannot ascertain the legitimacy of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
13.	Unit 1105 Qili Building No. 2 Nanjing Road Qingdao Shandong Province the PRC	The property comprises a unit on Level 11 of a 24-storey office building completed in about 1990s. The property has a gross floor area of approximately 55.43 sq.m. Pursuant to a Tenancy Agreement made between 香港冠華針織廠有限公司青島辦事處 (also known as Victory City Company Limited), as Lessee and Qili Holdings Limited (綺麗集團責任有限公司)., as Lessor, an independent third party, the property is leased by the Group for a term commencing from 8 January 2011 and expiring on 7 January 2012 at rental of RMB51,880 per annum, exclusive of other outgoing expenses.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Victory City Company Limited is an indirect wholly-owned subsidiary of the Company.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. We have not been provided ownership title documents or registration documents. We cannot ascertain the legitimacy of the Tenancy Agreement.

VALUATION CERTIFICATE

Group IV – Property interests owned and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
14.	Units 3A-B, D-H on 3rd Floor, Units 4G-H on 4th Floor, Unit 10F on 10th Floor and Car Parking Space Nos. L13, P2 and P8 Winfield Industrial Building No. 3 Kin Kwan Street Tuen Mun New Territories Hong Kong 154/1,530th shares of Tuen Mun Town Lot No. 87	The property comprises 10 units on the 3rd and 4th Floors and 3 parking spaces of a 13-storey industrial building completed in about 1979. The units have a total gross floor area of approximately 37,611 sq.ft. (3,494.15 sq.m.) excluding the car parks. The property is held under a New Grant No. 2244 expiring on 30 June 2047 subject to an annual Government Rent equivalent to 3% of the rateable value of the property.	The property is currently occupied by the Group for ancillary office, storage and car parking purposes.	28,730,000 100% interest attributable to the Group: RMB28,730,000

Notes:

1. Victory City Company Limited is a wholly-owned subsidiary of the Company.

2. The registered owner of the Units 3A-B, D-H, 4G-H, 10F and Car Parking Space Nos. P2 and P8 of the property is Victory City Company Limited vide Memorial Nos. TM784028-784037 dated 25 April 1997.

3. The registered owner of the Car Parking Space No. L13 of the property is Victory City Company Limited vide Memorial No. TM993086 dated 30 May 2001.

4. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. TM195929 dated 10 December 1979.

5. The property is subject to an Occupation Permit No.NT141/79 vide Memorial No. TM195201 dated 2 November 1979.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
15.	19th Floor and Car Park Spaces Nos. P21-P25 on 2nd Floor Ford Glory Plaza Nos. 37-39 Wing Hong Street Cheung Sha Wan Kowloon Hong Kong 1093/30000th shares of and in The Remaining Portion, The Remaining Portion of Section A and The Remaining Portion of Sub- Section 2 of Section A of New Kowloon Inland Lot No. 2828	The property comprises a unit on the 19th Floor and 5 car parking spaces on the 2nd Floor of a 29-storey industrial building completed in 2008. The property has a gross floor area of approximately 10,377 sq.ft. (964.05 sq.m.) excluding the car parks. The property is held under Conditions of Sale No. UB41 52 for a term up to 30 June 2047 subject to an annual Government Rent equivalent to 3% of the rateable value of the property.	The property is currently occupied by the Group for ancillary office and sample production purposes.	33,360,000 37.26% interest attributable to the Group: RMB12,430,000

Notes:

1. Ford Glory International Limited is an indirect 37.26% owned subsidiary of the Company.

2. The registered owner of the property is Ford Glory International Limited vide Memorial Nos. 09011 90141 0272, dated 29 December 2008, and 09020901960012, 09020901960028, 09020901960035, 09020901960042 and 09020901960050 collectively dated 16 January 2009 for a total consideration of HK$33,565,345.

3. The property is subject to an Occupation Permit vide Memorial No. 08120202080191 dated 17 November 2008.

4. The property is subject to a Deed of Mutual Covenant and Management Agreement in favour of Savills Billion Property Management Limited (Manager) vide Memorial No. 09011 90141 0282 dated 29 December 2008.

5. The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited to secure a term loan facility of HK$21,840,000 (part) vide Memorial No. 09020901960060 dated 16 January 2009.

6. The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited vide Memorial No. 09070601540124 dated 11 June 2009.

VALUATION CERTIFICATE

Group V – Property interests rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
16.	Units 3C on 3rd Floor, and Parking Space Nos. L2, L12, P7 and P12 Winfield Industrial Building No. 3 Kin Kwan Street Tuen Mun New Territories Hong Kong	The property comprises a unit on the 3rd floor and 4 car parking spaces of a 13-storey industrial building completed in about 1979. The unit has a gross floor area of approximately 278.80 sq.m. (3,001 sq.ft.) excluding the car parks. Pursuant to a Tenancy Agreement made between Victory City Company Limited, as Lessee and Vendure Enterprise Limited as Lessor, an independent third party, Unit 3C and Parking Space L12 is leased by the Group for a term commencing from 1 January 2011 and expiry on 31 December 2012, at a total rental of HKD9,003 per month, exclusive of other outgoing expenses. Pursuant to 3 licence agreements made between Victory City Company limited, as lessee and Joy Plus Development (H.K.) Limited, Cheung Lai Wah & Leung Lam and Huen Kai Gloves Limited, as lessors, independent third parties, Parking Spaces Nos. L2, P7 and P2 are leased by the Group.	The property is currently occupied by the Group for ancillary office and parking purposes.	No commercial value

Notes:

1. Victory City Company Limited is a wholly-owned subsidiary of the Company.

2. The registered owner of the Unit 3C and Car Parking Space No. L12 of the property is Vendure Enterprises Limtied vide Memorial Nos. TM225726 and TM234784 dated 12 May 1983 and 25 October 1983 respectively.

3. The registered owner of the Car Parking Space No. L2 of the property is Joy Plus Development (H.K.) Limited vide Memorial No. TM481751 dated 4 April 1991

4. The registered owners of the Car Parking Space No. P7 of the property are Cheung Lai Wah and Leung Lam vide Memorial No. TM269709 dated 18 December 1985

5. The registered owner of the Car Parking Space No. P12 of the property is Huen Kai Gloves Limited vide Memorial No. 07072703010013 dated 18 June 2007

6. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. TM195929 dated 10 December 1979.

7. The property is subject to an Occupation Permit No.NT141/79 vide Memorial No. TM195201 dated 2 November 1979.

VALUATION CERTIFICATE

Group VI – Property interests rented and occupied by the Group in Macau

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
17.	Unit F on 14th Floor Banco Luso Internacional Nos. 1-3 Rua Do Dr. Pedro Jose Lobo Macau	The property comprises a unit on the 14 th Floor of a 29-storey office building completed in about 1983. The property has a saleable area of approximately 58.34 sq.m. Pursuant to a Tenancy Agreement made between Value Plus (Macao Commercial Offshore) Limited ("Value Plus"), as Lessee and Multinational Real Estate Service Co., Ltd.（萬國置業地產有限公司）as an agent of Lessor, an independent third party, the property is leased by the Group for a term commencing from 1 October 2010 and expiring on 30 September 2011 at rent of HKD6,525 per month, exclusive of management fee, water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Value Plus (Macao Commercial Offshore) Limited is an indirect 37.26% owned subsidiary of the Company.

2. The registered owner of the property is Lao Nga Fong（劉雅防）.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
18.	Unit L on 10th Floor and Car Parking Space The Macau Square No. 47 Avenida Do Infante D. Henrique Macau	The property comprise a unit on 10th Floor and a car parking space on Basement Level 1 of a 23-storey office building completed in about 2001. The property has a saleable area of approximately 88.09 sq.m. Pursuant to 2 Tenancy Agreements made between Best Linkage (Macao Commercial Offshore) Limited (彩暉(澳門離岸商業服務)有限公司), as Lessee and South Bay Centre Company Limited (南灣中心有限公司) as Lessor, an independent third party, the office unit is leased by the Group for a term of commencing from 1 May 2010 and expiring on 30 April 2012 at rental of MOP16,620 per month exclusive of other outgoing expenses, the car parking space is leased by the Group for a term of commencing from 1 June 2010 and expiring on 31 May 2011 with a renewed 1 year term at rental of MOP1,800 per month, inclusive management fee.	The property is currently occupied by the Group for office and car parking purposes.	No commercial value

Notes:

1. Best Linkage (Macao Commercial Offshore) Limited is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is South Bay Centre Company Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
19.	Unit I, 11th Floor Jardim Iat Lai Nos. 212-250 Avenida Do Conselheiro Borja Macau	The property comprise a unit on 11th Floor of a 32-storey residential building completed in about 1994. The property has a saleable area of approximately 46.67 sq.m. Pursuant to a Tenancy Agreement made between Best Linkage (Macao Commercial Offshore) Limited (彩暉(澳門離岸商業服務)有限公司), as Lesses and Hong Xiao Qing (洪小卿) an agent of Lessor, the property is leased by the Group for a term of commencing from 16 August 2010 and expiring on 15 August 2011 at rental of HKD3,600 per month, exclusive of other outgoing expenses.	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Notes:

1. Best Linkage (Macao Commercial Offshore) Limited is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Lu Jincong (呂錦聰).

VALUATION CERTIFICATE

Group VII – Property interest held by the Group in Jordan

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 May 2011** *RMB*
20.	Block F Industrial Building located at plot number 1340 parcel number 3 Al Raqeem Al Tajamouat Industrial City South Amman Jordan	The property comprises a parcel of land with site area of approximately 5,407 sq.m. Erected on the land is a 4-storey industrial building completed in about 2002. This building has a gross floor area of approximately 7,815 sq.m. Adjoining it is a later addition of a 2-storey building of gross floor area approximately 1,130 sq.m. The land is a fee simple estate.	The property is currently owner-occupied for garment manufacturing use.	32,020,000 37.26% interest attributable to the Group: RMB11,930,000

Notes:

1. Pursuant to a Sale Agreement dated 31 March 2006 between Jerash Garments & Fashions Manufacturing Co. Ltd. ("Jerash"). as Vendor and Victory Apparel Jordan Garments Manufacturing Company Limited ("Jordan Factory") as Purchaser, the property was sold to the Purchaser.

2. Jordan Factory is an indirect 37.26% owned subsidiary of the Company.

VALUATION CERTIFICATE

Group VIII – Property interests rented and occupied by the Group in Overseas Countries

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
21.	Blocks A06, B03- 04, B05 and B05 Extension Kawasan Industri Tanjung Emas Export Processing Zone Jln. Coaster No. 8 Semarang Indonesia	The property comprises 5 units of industrial buildings completed in various stages between 1995 and 2000. The property has a total lettable area of approximately 9,221.75 sq.m. plus open yards of approximately 4,263.33 sq.m. Pursuant to 4 Tenancy Agreements made between PT. Victory Apparel Semarang ("PT VAS"), as Lessee and PT. Lamicitra Nusantara Tbk, as Lessor, an independent third party, the property is leased by the Group for various terms with the last expiry date on 15 September 2011 at a total rental of USD15,660.67 per month, exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. PT VAS is an indirect 37.26% owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
22.	Trea Village S/K Steung Mean Chey Khan Mcan Chey Phnom Penh Cambodia	The property comprises a single-storey industrial building completed in about 2007. The property has a total gross floor area of approximately 4,492 sq.m. Pursuant to a Tenancy Agreement made between He Enjia（何恩佳）an authorized agent of Ford Glory (Cambodia) Manufacturing Ltd, as Lessee and Mr. Srey Sothie, an independent third party, as Lessor, the property is leased by the Group for a term of 5 years commencing from 21 February 2011 and expiring on 20 February 2016 at rental of USD6,738 per month, exclusive of other outgoing expenses.	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Ford Glory (Cambodia) Manufacturing Ltd is an indirect 37.26% owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2011 *RMB*
23.	4th Floor 14 31 Broadway New York, NY10018 USA	The property comprises a unit on the 4th Floor of a 12-storey office building completed in about 1950s. The property has a lettable area of approximately 278.87 sq.m. Pursuant to a Tenancy Agreement made between Top Value, Inc., as Lessee and 1431 Associates, LCC, as Lessor, an independent third party, the property is leased by the Group for a term of 5 years with expiry date on 30 November 2011 at a current rental of USD8,275.02 per month, exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Top Value, Inc. is an indirect 37.26% owned subsidiary of the Company.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

A summary of the results of the Group for the last four financial years ended 31 March 2011 and the six months ended 30 September 2010 is depicted below. The 2011 figures are extracted from the Group's audited financial statements for the year ended 31 March 2011. The 2010 figures are extracted from the Group's audited financial statements for the year ended 31 March 2010. The 2009 figures are extracted from the Group's audited financial statements for the year ended 31 March 2009. The 2008 figures are extracted from the Group's audited financial statements for the year ended 31 March 2008. The interim figures are extracted from the Group's unaudited financial statements for the six months ended 30 September 2010.

Set out below is a summary of the assets and liabilities of the Group as at 31 March 2008, 2009 and 2010 extracted from the relevant published annual reports of the Group and as at 31 March 2011 extracted from the Group's audited financial statements for the year ended 31 March 2011. The accounting policies currently adopted by the Group are set out in note 2 to the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 September 2010 as included in section 4 of this appendix. There is no significant change in the accounting policies of the Group during the relevant period.

The auditor's reports issued by Deloitte Touche Tohmatsu, the independent auditors of the Company, in respect of the consolidated financial statements of the Company for the years ended 31 March 2008, 2009 and 2010 were unqualified.

For the three financial years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010, there were no exceptional items because of size, nature and incidence.

FINANCIAL HIGHLIGHTS AND SUMMARY

RESULTS

	Year ended 31 March			Six months ended 30 September	Year ended 31 March
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Revenue	4,104,773	4,090,493	3,863,612	2,143,474	4,047,705
Profit before tax	387,873	258,032	369,901	187,000	369,983
Income tax expense	(18,519)	(17,120)	(32,325)	(16,204)	(21,765)
Profit for the year	369,354	240,912	337,576	170,796	348,218
Profit attributable to:					
Owners of the Company	341,788	216,865	314,627	164,631	334,015
Non-controlling interests	27,566	24,047	22,949	6,165	14,203
	369,354	240,912	337,576	170,796	348,218
Earnings per share					
Basic	HK48.2 cents	HK29.7 cents	HK30.4 cents	HK15.5 cents	HK29.5 cents
Diluted	HK48.0 cents	N/A	N/A	HK15.5 cents	HK29.5 cents
Dividends per share *(HK cents)*	14.8	Nil	6.0	3.0	7.0

ASSETS AND LIABILITIES

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

2. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

The following are the audited financial statements of the Group together with the accompanying notes as set out in the Company's results announcement for the year ended 31 March 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

		2011	**2010**
	Notes	*HK$'000*	*HK$'000*
Revenue	*2*	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	*3*	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	*4*	(21,765)	(32,325)
Profit for the year	*5*	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

	Notes	2011 HK$'000	2010 HK$'000
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	7		
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		2,325,219	2,308,700	2,473,252
Prepaid lease payments		21,500	20,783	21,273
Goodwill		6,185	6,185	6,185
Intangible asset		1,000	–	–
Other assets		18,916	–	–
Interest in a jointly controlled entity		–	–	–
Deferred tax assets		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		2,239,743	1,680,996	1,357,908
Trade and bills receivables	8	916,238	975,169	875,514
Deposits, prepayments and other receivables		236,589	134,919	107,476
Prepaid lease payments		518	489	489
Derivative financial instruments		7,853	–	3,172
Bank balances and cash		709,479	547,779	546,477
		4,110,420	3,339,352	2,891,036
Assets classified as held for sale		–	28,118	–
		4,110,420	3,367,470	2,891,036
Current liabilities				
Trade payables	9	390,016	424,935	376,913
Other payables and accruals		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		1,031,508	865,574	1,122,547
Structured borrowings – amount due within one year		12,439	19,947	18,792
Derivative financial instruments		–	–	11,680
		1,723,700	1,534,185	1,702,661

	Notes	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Liabilities associated with assets classified as held for sale		–	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
Capital and reserves				
Share capital		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		780,236	912,788	790,811
Structured borrowings – amount due after one year		–	9,974	28,188
Deferred tax liabilities		9,282	5,716	2,178
		789,518	928,478	821,177
		4,770,836	4,148,530	3,693,391

Notes:

1. 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.

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.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

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:

	As at 1.4.2009 (originally stated)	**Adjustments**	**As at 1.4.2009 (restated)**	**As at 31.3.2010 (originally stated)**	**Adjustments**	**As 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
Borrowings – current	1,082,727	39,820	1,122,547	767,739	97,835	865,574
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]

[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 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.

2. SEGMENT INFORMATION

Information reported to the Directors, 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	**Garment products**	**Segment total**	**Eliminations**	**Consolidated total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

Year ended 31 March 2010

	Knitted fabric and dyed yarn	**Garment products**	**Segment total**	**Eliminations**	**Consolidated total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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 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

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.

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 losses recognised on receivables	1,085	808	1,893	–	1,893
Reversal of impairment losses 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.

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	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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.

3. OTHER GAINS AND LOSSES

	2011	**2010**
	HK$'000	*HK$'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 (losses)	1,543	(3,430)
Reversal of (impairment losses) recognised on receivables	1,110	(1,868)
	19,285	21,889

4 INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'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	2,048	3,538
	21,765	32,325

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

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

5. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Profit for the year has been arrived at after charging:		
Directors' remuneration	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

6. 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.

7. 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.

8. TRADE AND BILLS RECEIVABLES

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

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	**2010**
	HK$'000	*HK$'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

9. 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	**2010**
	HK$'000	*HK$'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.

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 fabrics 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.

FINANCIAL REVIEW

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$55 million (2010: HK$75 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.

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.

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the year ended 31 March 2011 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct ("Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 March 2011.

3. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

The following are the audited financial statements of the Group together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2010

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

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

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2010

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section set out in the annual report.

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

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

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

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

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

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

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

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

HKFRS 8 "Operating Segments"

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Acquisition of additional interest in a subsidiary

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

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

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

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

Goodwill arising on acquisitions on or after 1 January 2005

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

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

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

Jointly controlled entity

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

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

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

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

Revenue recognition

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

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

Service income and subcontracting income are recognised when services are provided.

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

Property, plant and equipment

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

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

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

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

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

Prepaid lease payments

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

Non-current assets classified as held for sale

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Foreign currencies

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

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

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

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

Equity instruments

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

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

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

Derivative financial instruments

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

Derecognition

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Impairment losses

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment loss of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value. At 31 March 2010, the carrying amount of trade and bills receivables was HK$975,169,000 (2009: HK$875,514,000) (net of allowance for doubtful debts of HK$5,640,000 (2009: HK$3,772,000)).

Impairment loss recognised on inventories

Management reviews the inventories listing at the end of each reporting period, and impairs obsolete and slowmoving inventory items identified that are no longer suitable for use in operation. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise. At 31 March 2010, the carrying amount of inventories was HK$1,680,996,000 (2009: HK$1,357,908,000).

Income taxes

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

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

note:

Structured borrowings

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

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

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

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

Sensitivity analysis

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

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

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

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

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

(ii) Interest rate risk

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

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

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

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

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

Sensitivity analysis

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

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

For structured borrowings as set out in Note 25, the number of business days in the period for which Spread Rate (as defined) exceeds pre-determined rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

Credit risk

As at 31 March 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. An impairment loss of approximately HK$4,443,000 (2009: HK$806,000) in respect of the trade receivable was recognised by the Group for the year. In this regard, the directors of the Company consider that the Group's credit risk is minimal.

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

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

Liquidity risk

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

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

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

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009							
Non-derivative financial liabilities							
Trade and other payables		271,255	67,962	46,425	–	385,642	385,642
Bank borrowings	3.88%	328,946	331,040	449,025	831,195	1,940,206	1,871,189
Mortgage loan	2.80%	197	200	2,017	40,936	43,350	42,169
		600,398	399,202	497,467	872,131	2,369,198	2,299,000
Structured borrowings	2.25%	3,943	–	8,671	34,797	47,411	46,980
Derivatives – net settlement							
Foreign currency contracts	–	–	–	170	–	170	170
Interest rate swaps	–	11,510	–	–	–	11,510	11,510
		11,510	–	170	–	11,680	11,680

(c) Fair value

The fair value of financial assets and financial liabilities (including derivative instruments and structured borrowings) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurement recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) on active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

7. REVENUE

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

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

8. SEGMENT INFORMATION

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

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

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

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

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

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

Year ended 31 March 2010

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

Year ended 31 March 2009

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

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

Segment assets and liabilities

At 31 March 2010

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

At 31 March 2009

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

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

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

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

Other segment information

At 31 March 2010

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

At 31 March 2009

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

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

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

Geographical information

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

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

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

Information about major customers

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

9. OTHER GAINS AND LOSSES

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

10. FINANCE COSTS

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

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

11. INCOME TAX EXPENSE

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

Hong Kong

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

PRC

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

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

Macau

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

Other jurisdictions

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

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

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

Details of deferred taxation are set out in note 29.

12. PROFIT FOR THE YEAR

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

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

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

Notes:

(i) Information regarding directors' and employees' emoluments

Directors

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

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

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

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

Employees

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

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

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

(ii) Retirement benefits scheme contributions

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

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

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

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

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

13. DISTRIBUTIONS

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

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

14. EARNINGS PER SHARE

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

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

notes:

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

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

15. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

16. PREPAID LEASE PAYMENTS

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

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

17. GOODWILL

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

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

	Goodwill
	HK$'000
Garment products	6,185

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

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

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

As at 31 March 2010, the Group had interest in the following jointly controlled entity:

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

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

19. INVENTORIES

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

20. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

Included in the Group's trade receivable balance are debtors that were outstanding for more than 120 days with aggregate carrying amount of HK$27,234,000 (2009: HK$24,667,000) which were past due at the reporting date but for which the Group has not provided for impairment loss. All trade receivables that are neither past due nor impaired have good credit quality after taking into account the repayment history of the trade customers.

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

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

As at March 31, 2010, the Group discounted certain bill receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables which were discounted until they were eventually settled by the customers as the Group was still exposed to credit risk on these receivables. As at March 31, 2010, the carrying amount of receivables discounted with recourse was HK$216,670,000 (2009: HK$225,443,000).

Movement in the allowance for doubtful debts

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

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

21. BANK BALANCES AND CASH

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

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

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

22. TRADE PAYABLES

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

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

The average credit period for purchase of goods is 60 – 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit periods granted.

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

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

23. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

The above disposal was subsequently completed in June 2010.

24. BANK BORROWINGS

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

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

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

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

25. STRUCTURED BORROWINGS

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

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

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

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

Where:

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

M = actual number of business days in the period

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

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

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

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

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

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives settled in net (not under hedge accounting):

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

notes:

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

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

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

notes:

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

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

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

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

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

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

27. SHARE CAPITAL

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

notes:

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

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

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

The above shares were cancelled upon repurchase.

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

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

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

28. SHARE-BASED PAYMENT TRANSACTIONS

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

At 31 March 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 127,552,338 (2009: 128,512,180), representing approximately 12% (2009: 13%) of the shares of the Company in issue at that date. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the Adoption Date. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

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

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

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

notes:

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

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

29. DEFERRED TAXATION

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

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

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

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

30. MAJOR NON-CASH TRANSACTIONS

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

31. PLEDGE OF ASSETS

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

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

32. COMMITMENTS

(i) Capital commitments

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

(ii) Operating lease commitments

The Group as lessee

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

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

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

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

33. RELATED PARTY DISCLOSURES

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

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

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

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

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

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

(iv) On 25 September 2007, the Company and certain of its subsidiaries had conditionally agreed to provide guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited ("Ford Glory"), a subsidiary of the Company in which Mr. Choi Lin Hung, a director and a shareholder of the Company, has a 49% beneficial interest. The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK$493 million in aggregate as at 31 March 2010 (2009: HK$588 million). The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. The provision of the guarantees constitutes connected transactions under Rule 14A.13(2) of the Listing Rules of the Stock Exchange. Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant subsidiaries of the Company.

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

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

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

34. EVENT AFTER THE REPORTING PERIOD

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

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Attributable equity held by the Company Directly %	Indirectly %	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	–	100	Trading of dyed yarn
CSG Apparel Inc.	Canada	Common stock CAD1	–	51	Trading of garment products
Elite Sound Investments Limited	Hong Kong	Ordinary HK$1	–	100	Investment holding
Ford Glory Holdings Limited	British Virgin Islands	Ordinary US$100	–	51	Investment holding
Ford Glory International Limited	Hong Kong	Ordinary HK$5,000,000	–	51	Trading of garment products
Glory Time Limited	Hong Kong	Ordinary HK$100	–	35.7 *(note vi)*	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	–	100	Provision of management services
PT. Victory Apparel Semarang	Indonesia	Ordinary US$300,000	–	51	Manufacture of garment products
Top Star Limited	Hong Kong	Ordinary HK$2	–	51	Property holding
V-Apparel International Limited	Hong Kong	Ordinary HK$100	–	100	Trading of garment products
Value Plus (Macao Commercial Offshore) Limited services	Macau	MOP100,000	–	51	Provision of quality inspection
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred *(note i)* HK$8,000,000	–	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary US$6	100	–	Investment holding
Victory City Investments Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary US$2 Preference US$3,300 *(note ii)*	–	100	Investment holding and provision of subcontracting services
江門市新會區冠華針織廠有限公司 ("Xinhiu Victory of fabric City") *(note iv)*	PRC	US$20,944,510	–	100	Knitting, dyeing and finishing

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

notes:

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

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

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

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

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

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

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

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

4. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The following financial information is extracted from the published unaudited condensed consolidated financial information of the Company for the six months ended 30 September 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2010

		Six months ended 30 September	
		2010	**2009**
	NOTES	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	2,143,474	1,942,318
Cost of sales		(1,750,192)	(1,595,181)
Gross profit		393,282	347,137
Other income		12,204	7,339
Other gains and losses	*4*	4,002	25,548
Distribution and selling expenses		(51,010)	(46,169)
Administrative expenses		(133,985)	(121,676)
Listing expenses of a non-wholly owned subsidiary		(13,096)	–
Finance costs		(24,397)	(13,531)
Profit before taxation		187,000	198,648
Income tax expense	*5*	(16,204)	(18,644)
Profit for the period	*6*	170,796	180,004
Other comprehensive income			
Exchange differences arising on translation of foreign operations		–	1,366
Total comprehensive income for the period		170,796	181,370

		Six months ended 30 September	
		2010	**2009**
	NOTES	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		164,631	168,248
Non-controlling interests		6,165	11,756
		170,796	180,004
Total comprehensive income attributable to:			
Owners of the Company		164,631	167,780
Non-controlling interests		6,165	13,590
		170,796	181,370
Earnings per share	*8*		
Basic		HK15.5 cents	HK16.4 cents
Diluted		HK15.5 cents	HK16.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2010

	NOTES	30 September 2010 HK$'000 (unaudited)	31 March 2010 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	9	2,233,834	2,308,700
Prepaid lease payments		20,294	20,783
Goodwill		6,185	6,185
Other assets		19,005	–
Deposit paid for acquisition of property, plant and equipment		4,560	1,859
		2,283,878	2,337,527
Current assets			
Inventories		1,838,831	1,680,996
Trade and bills receivables	10	948,212	975,169
Deposits, prepayments and other receivables		159,660	134,919
Tax recoverable		855	–
Prepaid lease payments		489	489
Derivative financial instruments		3,219	–
Bank balances and cash		610,509	547,779
		3,561,775	3,339,352
Assets classified as held for sale	11	–	28,118
		3,561,775	3,367,470

	NOTES	30 September 2010 HK$'000 (unaudited)	31 March 2010 HK$'000 (restated)
Current liabilities			
Trade payables	12	372,392	424,935
Other payables		101,008	144,904
Dividend payable		42,655	91
Taxation payable		87,784	78,734
Bank borrowings – amount due within one year	13	951,407	767,739
Structured borrowings – amount due within one year	14	14,024	19,947
		1,569,270	1,436,350
Liabilities associated with assets classified as held for sale	11	–	22,282
		1,569,270	1,458,632
Net current assets		1,992,505	1,908,838
		4,276,383	4,246,365
Capital and reserves			
Share capital	15	10,641	10,641
Reserves		3,189,266	3,067,199
Equity attributable to owners of the Company		3,199,907	3,077,840
Non-controlling interests		135,924	142,212
Total equity		3,335,831	3,220,052
Non-current liabilities			
Bank borrowings – amount due after one year	13	926,436	1,010,623
Structured borrowings – amount due after one year	14	7,012	9,974
Deferred taxation		7,104	5,716
		940,552	1,026,313
		4,276,383	4,246,365

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Translation reserve	Dividend reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2009 (audited)	10,255	913,773	–	39	76,229	400,235	–	1,329,352	2,729,883	142,331	2,872,214
Profit for the period	–	–	–	–	–	–	–	168,248	168,248	11,756	180,004
Exchange difference arising from translation of foreign operations	–	–	–	–	–	(468)	–	–	(468)	1,834	1,366
Total comprehensive income for the period	–	–	–	–	–	(468)	–	168,248	167,780	13,590	181,370
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(637)	(637)
At 30 September 2009 (unaudited)	10,255	913,773	–	39	76,229	399,767	–	1,497,600	2,897,663	155,284	3,052,947
At 31 March 2010 (audited)	10,641	968,089	1,961	39	76,229	398,112	–	1,622,769	3,077,840	142,212	3,220,052
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	164,631	164,631	6,165	170,796
2010 Final dividend approved but not yet paid	–	–	–	–	–	–	–	(42,564)	(42,564)	–	(42,564)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(14,700)	(14,700)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	2,247	2,247
At 30 September 2010 (unaudited)	10,641	968,089	1,961	39	76,229	398,112	–	1,744,836	3,199,907	135,924	3,335,831

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2010

	Six months ended 30 September	
	2010	**2009**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	6,332	147,791
Net cash used in investing activities:		
Purchase of property, plant and equipment	(27,278)	(36,696)
Proceeds from disposal of property, plant and equipment and leasehold land	25,825	–
Deposit paid for acquisition of additional interest in a subsidiary	–	(19,000)
Other investing cash flows	(1,215)	10,247
	(2,668)	(45,449)
Net cash used in financing activities:		
New bank loans raised	82,006	208,384
Repayment of bank loans	(75,795)	(206,926)
Net amount of bills discounted with recourse, debt factored with recourse, import loans, trust receipt loans and revolving trade loans raised (repaid)	65,308	(116,129)
Other financing cash flows	(12,453)	(10,933)
	59,066	(125,604)
Net increase (decrease) in cash and cash equivalents	62,730	(23,262)
Cash and cash equivalents at beginning of the period	547,779	546,477
Cash and cash equivalents at end of the period, represented by bank balances and cash	610,509	523,215

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the "Listing Rule") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements of Victory City International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010, except for the accounting policies described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

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

HKFRS 3 (Revised) Business Combination

The Group has applied HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010.

As there was no transaction during the current interim period to which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current accounting period.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment 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 amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires 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 has been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment. This resulted in a reclassification from prepaid lease payments to property, plant and equipment that are measured using the cost model. No profit or loss items are affected as a result of the reclassification.

Summary of the effect of the above change in accounting policies:

The effect of changes in accounting policies described above on the financial position of the Group as at 31 March 2010 is as follows:

	As at 31 March 2010 (Originally stated)	**Adjustments**	**As at 31 March 2010 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	2,294,777	13,923	2,308,700
Prepaid lease payments	35,195	(13,923)	21,272
	2,329,972	–	2,329,972

The effect of changes in accounting policies described above on the financial position of the Group as at 1 April 2009 is as follows:

	As at 1 April 2009 (Originally stated)	**Adjustments**	**As at 1 April 2009 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	2,444,630	28,622	2,473,252
Prepaid lease payments	50,384	(28,622)	21,762
	2,495,014	–	2,495,014

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosure[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 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 2011
5 Effective for annual periods beginning on or after 1 January 2013

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.

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

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

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

The directors of the Company anticipate that the application of these new and revised HKFRSs may have material impact on the results and the financial position of the Group. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SEGMENT INFORMATION

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 for the periods under review:

Six months ended 30 September 2010

	Knitted fabric and dyed yarn *HK$'000*	**Garment products** *HK$'000*	**Consolidated** *HK$'000*
REVENUE			
External sales	1,680,173	463,301	2,143,474
RESULTS			
Segment results	199,179	28,694	227,873
Unallocated corporate income			6,494
Unallocated corporate expenses			(22,970)
Finance costs			(24,397)
Profit before taxation			187,000
Income tax expense			(16,204)
Profit for the period			170,796

Six months ended 30 September 2009

	Knitted fabric and dyed yarn	Garment products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	1,508,337	433,981	1,942,318
RESULTS			
Segment results	167,808	22,443	190,251
Unallocated corporate income			27,913
Unallocated corporate expenses			(5,985)
Finance costs			(13,531)
Profit before taxation			198,648
Income tax expense			(18,644)
Profit for the period			180,004

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2010	**2009**
	HK$'000	*HK$'000*
Gain on fair value changes of derivative financial instruments	4,705	31,871
Gain (loss) on fair value changes of structured borrowings	304	(4,081)
Gain on disposal of property, plant and equipment	524	124
Net foreign exchange losses	(1,531)	(2,390)
Reversal of bad debt provision	–	24
	4,002	25,548

5. INCOME TAX EXPENSE

	Six months ended 30 September 2010	2009
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	9,556	10,475
Enterprise income tax in the People's Republic of China (the "PRC") attributable to the subsidiaries	5,260	6,339
Overseas income tax	–	148
	14,816	16,962
Deferred tax:		
Current period	1,388	1,682
	16,204	18,644

Hong Kong Profit Tax is calculated at 16.5% for both periods under review.

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

According to the Enterprise Income Tax Law of the PRC, withholding income tax is imposed on dividends declared in respect of profit carried by PRC subsidiaries from 1 January 2008 onwards. As at 31 March 2010 and 30 September 2010, deferred taxation has been provided in full in respect of the undistributed profits from these PRC subsidiaries in the condensed consolidated financial statements.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September 2010	2009
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	101,966	100,761
Release of prepaid lease payment	489	245
Interest income	(120)	(726)

7. DISTRIBUTION

On 30 August 2010, the Company approved a final dividend of HK$42,564,000 representing HK4.0 cents per share in respect of the financial year ended 31 March 2010. The amount of final dividend recommended was to be in cash with a scrip option.

The directors have determined that an interim dividend of approximately HK$36,374,000 representing HK3.0 cents per share for the six months ended 30 September 2010 (six months ended 30 September 2009: approximately HK$21,210,000 representing HK2.0 cents per share), in cash with a scrip option, to be paid to the Company's shareholders.

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2010	**2009**
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	164,631	168,248
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,064,099	1,025,495
Effect of dilutive potential ordinary shares in respect of share options *(note i)*	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,064,099	1,025,495

Note:

(i) The computation of diluted earnings per share for the six months periods ended 30 September 2010 and 2009 does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$27 million (six months ended 30 September 2009: HK$37 million) on additions to property, plant and equipment.

10. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 90-120 days to its trade customers.

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

	30 September 2010	**31 March 2010**
	HK$'000	*HK$'000*
0-60 days	607,544	653,583
61-90 days	223,434	197,905
91-120 days	108,794	96,447
Over 120 days	8,440	27,234
	948,212	975,169

11. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

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

12. TRADE PAYABLES

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

	30 September 2010	**31 March 2010**
	HK$'000	*HK$'000*
0-60 days	272,651	307,385
61-90 days	71,478	80,441
Over 90 days	28,263	37,109
	372,392	424,935

13. BANK BORROWINGS

	30 September 2010	**31 March 2010**
	HK$'000	*HK$'000*
Bank loans	1,271,382	1,235,694
Bills discounted with recourse and debts factored with recourse	241,149	216,670
Import loans and trust receipts loans	345,493	305,568
Mortgage loans	19,819	39,812
Transfer to liabilities associated with asset classified as held for sale	–	(19,382)
	1,877,843	1,778,362
Less: Amount due within one year included in current liabilities	(951,407)	(767,739)
Amount due after one year	926,436	1,010,623

During the six-month period ended 30 September 2010, the Group obtained new bank loans of an aggregate amount of approximately HK$82,006,000 (six months ended 30 September 2009: HK$208,384,000). The loans carry interest at market rates ranging from 1.75% to 4.80% per annum ("p.a.") (six months ended 30 September 2009: ranging from 1.74% to 3.69% p.a.).

14. STRUCTURED BORROWINGS

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
Structured borrowings, classified as:		
Current	14,024	19,947
Non-current	7,012	9,974
	21,036	29,921

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

The entire hybrid contracts are measured at fair value and calculated using discounted cash flow analysis based on the applicable yield curves at 30 September 2010. Changes in fair value are recognised in profit or loss in the condensed consolidated statement of comprehensive income.

15. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Authorised:		
At 1 April 2009, 31 March 2010 and 30 September 2010 at HK$0.01 each	40,000,000	400,000
Issued and fully paid:		
At 1 April 2009 and 30 September 2009	1,025,495	10,255
Placing of new shares	35,000	350
Issue of shares pursuant to scrip dividend scheme for 2010 interim dividend	3,605	36
At 31 March 2010 and 30 September 2010	1,064,100	10,641

16. CAPITAL COMMITMENTS

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	41,631	41,618

17. RELATED PARTY DISCLOSURES

(i) During the period, the Group paid operating lease rental of approximately HK$54,000 (six months ended 30 September 2009: HK$54,000) 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 new 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 discretionary 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 period were approximately HK$204,375,000 (six months ended 30 September 2009: HK$179,604,000). As at 30 September 2010, the aggregate amount of purchase deposits placed by the Group with Nanjing Synergy was approximately HK$62,807,000 (31 March 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.

(iii) On 1 April 2007, the Group entered into a master sale and purchase agreement ("Kimberley-Mayer Master Agreement") with 加美(清遠)制衣有限公司 Kimberley (Qing Yuan) Garment Limited ("Kimberley"). Kimberley is owned by a director of a subsidiary of the Company. Pursuant to the Kimberley-Mayer Master Agreement, Kimberley agreed to supply apparel products to the Group and the purchases during the period were approximately HK$37,573,000 (six months ended 30 September 2009: HK$38,095,000). As at 30 September 2010, the aggregate amount of purchase deposits placed by the Group in Kimberley was approximately HK$8,891,000 (31 March 2010: HK$5,518,000) which were included in deposits, prepayments and other receivables.

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

(iv) At 30 September 2010, the Company and certain of its wholly owned subsidiaries provided guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited ("Ford Glory"), a non-wholly owned subsidiary of the Company in which Mr. Choi Lin Hung, a director and a shareholder of the Company, has a 49% beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK$323 million in aggregate as at 30 September 2010 (31 March 2010: HK$493 million). The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. The provision of the guarantees constitutes connected transactions under Rule 14A 13(2) of the Listing Rules of the Stock Exchange. Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant subsidiaries of the Company.

(v) On 25 February 2010, Victory City Holdings Limited, a wholly-owned subsidiary of the Company, on its own behalf and as trustee for the benefit of other members of the Group, entered into the master agreements (the "Master Agreements") with Ford Glory Holdings Limited ("FG Holdings"), a non-wholly owned subsidiary of the Company, on its own behalf and as trustee for the benefit of other members of the FG Holdings and its subsidiaries (the "FG Group"), pursuant to which the Group agreed to sell/supply, and the FG Group has agreed to purchase, (i) fabric products; (ii) steam and electricity; and (iii) yarn. The Master Agreements are all of a term from 1 April 2010 to 31 March 2013.

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

(vi) On 25 February 2010, V-Apparel International Limited ("V-Apparel"), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "Rocwide Agreement") with FG Holdings, pursuant to which V-Apparel agreed to sell, and FG Holdings agreed to purchase the entire issued share capital of Rocwide Limited.

The transaction contemplated by the Rocwide Agreement constitutes connected transactions for the Company under Chapter 14A of the Listing Rules.

(vii) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September	
	2010	**2009**
	HK$'000	*HK$'000*
Basic salaries and allowances	5,838	5,791
Retirement benefit scheme contributions	125	125
	5,963	5,916

18. EVENTS AFTER THE END OF THE INTERIM PERIOD

A. On 5 October 2010, a non-wholly owned subsidiary, Ford Glory Group Holdings Limited ("FGG"), completed the initial public offering of its shares on the Stock Exchange, (the "Spin-off") pursuant to which a total of 118,000,000 new ordinary shares were issued at a price of HK$0.6 per share, raising total proceeds, before expenses, of HK$70.8 million. Following the Spin-off, the Group still retains control over FGG and the Group's effective interest in FGG was reduced from 51% to 37.26%.

B. On 13 October 2010, the Company announced that:

(a) two substantial shareholders of the Company (the "Vendors") had agreed to place 130,000,000 ordinary shares of HK$0.01 each in the Company (the "Shares") to certain independent third parties at a price of HK$1.83 per share (the "Placing Price") (the "Placing"). The Placing Price represents (i) a discount of approximately 12.02% to the closing price of HK$2.08 per Share on 12 October 2010 (being the last trading date of the Company's Shares prior to the announcement); (ii) a discount of approximately 9.41% to the average closing price of HK$2.02 per Share as quoted on the Stock Exchange for the last five trading days up to and including the last trading date; and (iii) a discount of approximately 4.69% to the average closing price of HK$1.92 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the last trading date.

(b) the Vendors would subscribe the same number of Shares in the Company at HK$1.83 per Share (the "Subscription")

The Placing and the Subscription were completed on 20 October 2010 and the net proceeds to the Company as a result of the Subscription was approximately HK$231.3 million.

5. INDEBTEDNESS OF THE GROUP

At the close of business on 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness totalling approximately HK$1,780,413,000:

(1) secured current bank borrowings of approximately HK$37,797,000 which were secured by certain property, plant and equipment and prepaid lease payments; and;

(2) unsecured bank borrowings of approximately HK$1,730,577,000.

At the close of business on 30 April 2011, the Group did not have any contingent liabilities.

Save as aforesaid, and apart from the intra-group liabilities, the Group did not have any outstanding loans, overdrafts, mortgages, charges, debentures or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30 April 2011.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief in the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Director jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having make all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

		HK$
Authorised:		
40,000,000,000	Shares of HK$0.01 each	400,000,000
Issued and fully paid:		
1,222,554,473	Shares of HK$0.01 each	12,225,544.73

All Shares currently in issue rank pari passu in all respects with each other, including in particular, as to dividend, voting rights and return on capital. Since 31 March 2010 (being the date to which the published audited financial statements of the Company for the year ended 31 March 2010 were made up) and up to the Latest Practicable Date (being the date the published audited financial statements of the Company for the year ended 31 March 2011 was published), the Company has issued an aggregate of 158,455,315 Shares, comprising 130,000,000 Shares issued pursuant to the placing and subscription agreement dated 13 October 2010 ("**Placing and Subscription**"), 18,352,871 Shares issued pursuant to the final scrip dividend scheme of the Company for the year ended 31 March 2010 ("**2010 Final Dividend Scheme**") and 10,102,444 Shares issued pursuant to the interim scrip dividend scheme of the Company for the period ended 30 September 2010 ("**2011 Interim Dividend Scheme**"). Save as above, no new Shares were issued by the Company and the Company did not repurchase any Share through the Stock Exchange since 31 March 2010 (being the date to which the published audited financial statements of the Company for the year ended 31 March 2010 were made up).

The issued Shares are listed and traded on the Stock Exchange. No part of the issued share capital of the Company is listed on any other stock exchanges. All of the 257,584,430 Consideration Shares will rank pari passu in all respects with each other, including in particular, as to dividend, voting rights and return on capital, and will rank pari passu in all respects with all Shares in issue as at the date of allotment and issue of the Consideration Shares. The Consideration Shares will be listed and traded on the Stock Exchange. There are no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, other than the options to subscribe for an aggregate of 108,355,498 Shares granted under the share option scheme of the Company, the Company had no convertible securities, options, warrants or derivatives outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

3. MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading of the Shares took place in each of the calendar month commencing 6 months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *(HK$)*
29 October 2010	1.96
30 November 2010	1.71
31 December 2010	1.89
31 January 2011	1.63
28 February 2011	1.55
31 March 2011	1.57
13 April 2011 (Last Trading Day)	1.65
31 May 2011	1.62
28 June 2011 (Latest Practicable Date)	1.53

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date were HK$2.06 per Share on 25 October 2010 and HK$1.47 per Share on 23 June 2011 respectively.

4. DIRECTORS' INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO) and Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company 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 ("**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 percentage of issued share capital of the Company/ associated corporation**
Mr. Li	The Company	Founder of a trust	196,386,000 Shares (L) *(Note 2)*		16.06%
	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%
Mr. Chen	The Company	Founder of a trust	196,386,000 Shares (L) *(Note 3)*		16.06%
	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 percentage 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%
Mr. 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%
	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%

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 percentage of issued share capital of the Company/ associated corporation
	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 *(Note 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%
	福源創業信息咨詢服務(深圳)有限公司 *(Note 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%

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 percentage of issued share capital of the Company/ associated corporation
	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%
Mr. Lee Yuen Chiu, Andy	The Company	Beneficial owner		9,598,419 Shares (L) *(Note 5)*	0.79%
Mr. 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. As at the Latest Practicable Date, Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li's family.

3. These Shares were held by Madian Star Limited. As at the Latest Practicable Date, Madian Star Limited is wholly-owned by Yonice Limited, the entire share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen's family.

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

   On 7 June 2004, Mr. Li and Mr. Chen 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. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK$2.95 and 1,066,491 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Mr. Li and Mr. Chen.

5. On 23 May 2003, Mr. Choi Lin Hung and Mr. 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. The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK$2.20 and 1,599,736 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Mr. Choi Lin Hung and Mr. Lee Yuen Chiu, Andy.

   On 9 October 2003, Mr. Choi Lin Hung and Mr. 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. The exercise price per Share and number of Shares issuable upon exercise in full of these options were adjusted to HK$2.85 and 3,732,719 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Mr. Choi Lin Hung and Mr. Lee Yuen Chiu, Andy.

On 7 June 2004, Mr. Choi Lin Hung and Mr. 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.The exercise price per Share and the number of Shares issuable upon exercise in full of these options were adjusted to HK$2.95 and 4,265,964 respectively upon the Rights Issue becoming unconditional on 13 January 2009 for each of Mr. Choi Lin Hung and Mr. Lee Yuen Chiu, Andy.

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 Enterprise Starting Information Consultation Services (Shenzhen) Limited 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's family.

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

(b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to 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 maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being 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 were as follows:

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 and 4)*	32.12%
Newcorp Ltd.	392,772,000 (L)	Interest of controlled corporation *(Notes 2, 3 and 4)*	32.12%

Name of Person	Number of Shares *(Note 1)*	Capacity	Approximate percentage of interest
Ms. Ho Yuen Mui, Shirley	197,985,737 (L)	Interest of spouse *(Note 5)*	16.19%
Ms. Or Kwai Ying	199,700,737 (L)	Interest of spouse *(Note 6)*	16.33%
Value Partners Limited	118,811,662(L) *(Note 7)*	Investment manager *(Note 8)*	9.79% *(Note 7)*
Value Partners Group Limited	118,811,662(L) *(Note 7)*	Interest of controlled corporation *(Note 8)*	9.79% *(Note 7)*
Cheah Capital Management Limited	118,811,662(L) *(Note 7)*	Interest of controlled corporation *(Note 8)*	9.79% *(Note 7)*
Cheah Company Limited	118,811,662(L) *(Note 7)*	Interest of controlled corporation *(Note 8)*	9.79% *(Note 7)*
Hang Seng Bank Trustee International Limited	118,811,662(L) *(Note 7)*	Trustee (other than a bare trustee) *(Note 8)*	9.79% *(Note 7)*
Cheah Cheng Hye	118,811,662(L) *(Note 7)*	Founder of a discretionary trust (Note 8)	9.79% *(Note 7)*
To Hau Yin	118,811,662(L) *(Note 7)*	Interest of spouse *(Note 9)*	9.79% *(Note 7)*
Templeton Asset Management Ltd.	220,055,516 (L)	Investment manager	18.00%

Notes:

1. The letter "L" represents the person's interests in the Shares and/or the 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's family. Mr. Chen 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's family. Mr. Li 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.

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

7. The number of Shares and percentage of interest are extracted from the disclosure of interests form filed on 26 October 2010.

8. These Shares were held by Value Partners Limited, a wholly-owned subsidiary of Value Partners Group Limited. Value Partners Group Limited is owned as to 22.46% by Cheah Capital Management Limited. Cheah Capital Management Limited is accustomed or obliged to act in accordance with the directions or instructions of Cheah Company Limited (being its immediate holding company), Hang Seng Bank Trustee International Limited (as trustee of The C H Cheah Family Trust) and Cheah Cheng Hye (being its director). The entire issued share capital of Cheah Capital Management Limited is held by Cheah Company Limited, a company wholly-owned by Hang Seng Bank Trustee International Limited as the discretionary trustee for The C H Cheah Family Trust.

9. Ms. To Hau Yin is the wife of Mr. Cheah Cheng Hye.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and 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, or who was directly or indirectly interested in 10 % or more of the nominal value of any class of Share.

6. SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (not being a Director or chief executive of the Company) were, either directly or indirectly, interested in shares representing 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company:

Name of subsidiary	**Name of Shareholder**	**No. of securities held/amount of registered capital owned**	**Approximate percentage shareholdings**
Sure Strategy Limited	Merlotte Enterprise Limited	49 ordinary Shares	49%
Glory Time Limited	Doncan Limited	30 ordinary Shares	30%
Gojifashion Inc.	4352785 Canada Inc.	100 common shares	50%
Mayer Apparel Limited	Lau Kwok Wa, Stanley	49 ordinary Shares	49%
Ford Glory Group Holdings Limited	Ng Tsze Lun	58,948,360	13.46%
	Yau Yuk Chun Carole *(Note)*	58,948,360	13.46%

Name of subsidiary	Name of Shareholder	No. of securities held/amount of registered capital owned	Approximate percentage shareholdings
江門冠達紡織材料有限公司 (Jiangmen Guan Da Textile Material Co., Ltd. (being its unofficial English name))	江門市展邦投資有限公司 (Jiangmen ZhangBang Investment Limited (being its unofficial English name))	Registered capital of RMB 10,000,000	40%
Happy Noble Holdings Limited	Lai Fuk Sang	10 ordinary shares	10%
	Lan Chi Fung	10 ordinary shares	10%
	Lo Chi Hang Jack	10 ordinary shares	10%

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

7. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

As at the Latest Practicable Date:

(a) the Company did not have any interest in any securities, shares, options, warrants, derivatives or convertible securities in the Vendor and had not dealt for value in any such securities during the Relevant Period;

(b) save as disclosed in the paragraphs headed "Directors' interests" above and "Implication under the Listing Rules" set out in the "Letter from the Board" above, none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities in the Company or the Vendor;

(c) none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or advisers to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code owned or controlled any securities, shares, options, warrants, derivatives or convertible securities in the Company or the Vendor;

(d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with the Company, or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code;

(e) no securities, shares, options, warrants, derivatives or convertible securities of the Company were managed on a discretionary basis by fund managers connected with the Company;

(f) each of Mr. Li and Mr. Chen, executive Directors, will abstain from voting in respect of the resolutions to be proposed in the SGM to approve, among other things, the Acquisition Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder. Save as disclosed in the paragraph headed "Directors' interests" above, none of the Directors hold any Share;

(g) none of the Directors or the Company had borrowed or lent any Share or other securities, options, warrants, derivatives or convertible securities of the Company;

(h) save for the 2010 Final Dividend Scheme (at which Mr. Phaisalakani Vichai, an independent non-executive Director, was granted 6,000 options to subscribe for the Shares on 22 October 2010) and the 2011 Interim Dividend Scheme (at which Mr. Chen was granted 28,000 options to subscribe for the Shares respectively on 4 March 2011), none of the Directors had dealt in any Shares or other securities, options, warrants, derivatives or convertible securities of the Company or the Vendor during the Relevant Period; and

(i) none of the persons whose shareholdings are required by items (c), (d) and (e) above has dealt for value in the shares in question from the date of publication of the Announcement and ending on the Latest Practicable Date.

8. FURTHER INFORMATION RELATING TO THE VENDOR AND THE WHITEWASH WAIVER

Set out below are details of the Vendor and its directors:

Address	**Directors**
Offshore Incorporations Limited, P.O. Box 957, Office Incorporation Centre, Road Town, Tortola, British Virgin Islands	Mr. Li Mr. Chen
Correspondence address in Hong Kong, Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong	

Set out below are details of Pearl Garden Pacific Limited and its director:

Address	**Director**
Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands Correspondence address in Hong Kong, Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong	Mr. Chen

Set out below are details of Madian Star Limited and its director:

Address	**Director**
Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands Correspondence address in Hong Kong, Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong	Mr. Li

Set out below is the address of Mr. Li and Mr. Chen, each being the parties acting in concert with the Vendor.

	Address
Mr. Li Mr. Chen	Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong

Set out below is the address of Quam, the independent financial adviser to the Company

Address

32/F., Gloucester Tower, The Landmark, 11 Pedder Street Central, Hong Kong

As at the Latest Practicable Date:

(a) save as disclosed in the paragraphs headed "Directors' interests" and "Substantial Shareholders" above, none of the Vendor or any parties acting in concert with it (including their respective directors and supervisors) has any interests in any securities, shares, options, warrants, derivatives or convertible securities in the Company;

(b) none of the Vendor or any parties acting in concert with it has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with any person;

(c) no person has made an irrevocable commitment to vote for or against the Acquisition or the Whitewash Waiver;

(d) none of the Vendor or any parties acting in concert with it has borrowed or lent any Share or other securities, options, warrants, derivatives or convertible securities of the Company;

(e) save for the 2010 Final Dividend Scheme (at which each of Madian Star Limited and Pearl Garden Pacific Limited was granted 3,431,318 and 3,431,318 options to subscribe for the Shares respectively on 22 October 2010), the Placing and Subscription (at which 65,000,000 placing Shares held by each of Pearl Garden Pacific Limited and Madian Star Limited were placed out at HK$1.83 per placing Share and 65,000,000 subscription Shares were subscribed by the each of Pearl Garden Pacific Limited and Madian Star Limited at HK$1.83 per subscription Share on 18 October 2010 and 20 October 2010 respectively) and the 2011 Interim Dividend Scheme (at which each of Mr. Chen, Madian Star Limited and Pearl Garden Pacific Limited was granted 28,000, 3,298,000 and 3,298,000 options to subscribe for the Shares respectively on 4 March 2011), none of the Vendor and parties acting in concert with it (including their respective directors and supervisors) had dealt in any Shares or other securities, options, warrants, derivatives or convertible securities of the Company during the Relevant Period; and

(f) the Vendor has not entered into any arrangement, agreement, understanding and has no intention to transfer, charge or pledge the securities to be acquired pursuant to the Acquisition Agreement.

9. OTHER ARRANGEMENTS IN RELATION TO THE WHITEWASH WAIVER

(a) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Acquisition or the Whitewash Waiver.

(b) As at the Latest Practicable Date, there were no agreement, arrangement or understanding (including any compensation arrangement) between the Vendor or any parties acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Acquisition or the Whitewash Waiver.

(c) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of, or otherwise connected with, the Acquisition or the Whitewash Waiver.

(d) As at the Latest Practicable Date, there was no material contract to which the Vendor was a party in which any Director had a material personal interest.

10. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group or to which the Company or any of its subsidiaries is or may become a party.

11. SERVICE AGREEMENTS

The following Directors have entered into a fixed-term service contract with the Company which has more than 12 months to run irrespective of the notice period, details of these service contracts are set out below:

Name of Directors	**Expiry Date of Service Contract**	**Annual Fixed Remuneration (excluding pension payments)** *(HK$)*	**Annual Variable Remuneration** *(HK$)*
Mr. Li	31 March 2014	3,360,000	Discretionary Bonus *(Note)*
Mr. Chen	31 March 2014	3,360,000	Discretionary Bonus *(Note)*
Mr. Phaisalakani Vinchai	31 March 2013	180,000	Nil
Mr. Kwok Sze Chi	31 March 2013	180,000	Nil
Mr. Kan Ka Hon	31 March 2013	180,000	Nil

Note: At the end of each financial year, the Board or its authorised remuneration committee will determine at its sole discretion the bonus payable (if any) to the Directors according to the actual operation condition and profits of the Company.

Save as disclosed above, as at the Latest Practicable Date, there were no service contracts between the Directors and the Company or any of its subsidiaries or associated companies in force which: (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; or (ii) were continuous contracts with a notice period of 12 months or more; or (iii) were fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) not expiring or determinable within one year without payment of compensation (other than statutory compensation).

12. MATERIAL CHANGE

The spin-off of Ford Glory Group Holdings Limited ("FGG"), a subsidiary of the Company, constituted a deemed disposal of the Company's equity interest in a subsidiary under Rule 14.29 of the Listing Rules, and constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. FGG was spun-off and listed on the Main Board of the Stock Exchange on 5 October 2010 and has remained a subsidiary of the Company since then, details of which are disclosed in the announcement of the Company dated 17 September 2010. Save for the deemed disposal of a subsidiary of the Company in relation to the proposed spin-off and separate listing of FGG on the Main Board of the Stock Exchange mentioned above, as at the Latest Practicable Date, there were no material change in the financial or trading position or outlook of the Group since 31 March 2010, being the date to which the latest audited financial statements of the Group were made up.

13. COMPETING INTEREST

As at the Latest Practicable Date, save as disclosed herein, none of the Directors or their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

14. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group within the two years immediately preceding the date of the Announcement and are, or may be, material:

(1) an equity transfer agreement dated 29 June 2009 and entered into by Ford Glory Holdings Limited, a non-wholly-owned subsidiary of the Company ("FG Holdings") and Mr. Zou Weichang (鄒偉昌), pursuant to which FG Holdings acquired 8% equity interest in 江門冠暉制衣有限公司 ("Jiangmen Factory");

(2) a supplemental agreement dated 29 June 2009 and entered into by FG Holdings and Mr. Zou Weichang (鄒偉昌) to supplement the agreement in item (1) above, stating that the consideration for the transfer of 8% equity interest in Jiangmen Factory was HK$3 million;

(3) an equity transfer agreement dated 29 June 2009 and entered into by FG Holdings and Mr. Chen Tianhe (陳天賀), pursuant to which FG Holdings acquired 8% equity interest in Jiangmen Factory; no consideration was set out in this agreement and the relevant consideration was supplemented at the supplemental agreement in item (4) below;

(4) a supplemental agreement dated 29 June 2009 and entered into by FG Holdings and Mr. Chen Tianhe（陳天賀）to supplement the agreement in item (3) above, stating that the consideration for the transfer of 8% equity interest in Jiangmen Factory was HK$3 million;

(5) an equity transfer agreement dated 29 June 2009 and entered into by FG Holdings and Mr. Li Liupan（李柳泮）, pursuant to which FG Holdings acquired 8% equity interest in Jiangmen Factory; no consideration was set out in this agreement and the relevant consideration was supplemented at the supplemental agreement in item (6) below ;

(6) a supplemental agreement dated 29 June 2009 and entered into by FG Holdings and Mr. Li Liupan（李柳泮）to supplement the agreement in item (5) above, stating that the consideration for the transfer of 8% equity interest in Jiangmen Factory was HK$3 million;

(7) an equity transfer agreement dated 6 July 2009 and entered into by FG Holdings and Mr. Ding Congning（丁聰凝）, pursuant to which FG Holdings acquired 8% equity interest in Jiangmen Factory;

(8) a supplemental agreement dated 6 July 2009 and entered into by FG Holdings and Mr. Ding Congning（丁聰凝）to supplement the agreement in item (7) above, stating that the consideration for the transfer of 8% equity interest in Jiangmen Factory was HK$5 million;

(9) an equity transfer agreement dated 6 July 2009 and entered into by FG Holdings and Mr. Wang Jiabo（王家波）, pursuant to which FG Holdings acquired 8% equity interest in Jiangmen Factory; no consideration was set out in this agreement and the relevant consideration was supplemented at the supplemental agreement in item (10) below ;

(10) a supplemental agreement dated 6 July 2009 and entered into by FG Holdings and Mr. Wang Jiabo（王家波）to supplement the agreement in item (9) above, stating that the consideration for the transfer of 8% equity interest in Jiangmen Factory was HK$5 million;

(11) a share purchase agreement dated 25 February 2010 and entered into by V-Apparel International Limited and FG Holdings, pursuant to which FG Holdings acquired the entire issued share capital of and the loan to Rocwide Limited at a consideration of HK$48,000,000;

(12) an assignment dated 30 June 2010 entered into between Ford Glory International Limited ("**FG International**"), a non-wholly-owned subsidiary of the Company, Alpha Best Development Limited, Wan Wing Wing, Wan Wing Man and Ng Mei Yi for the assignment of Workshop A on the 20th Floor of Ford Glory Plaza, Kowloon, Hong Kong at a consideration payable to FG International, when

aggregated with those payable to FG International under the assignments of Workshops B, C, D and E on the 20th Floor of Ford Glory Plaza (items (13), (14), (15) and (16) below), amounted to HK$29,000,000;

(13) an assignment dated 30 June 2010 entered into between FG International, Alpha Best Development Limited and Wong Wai Ling Joan for the assignment of Workshop B on the 20th Floor of Ford Glory Plaza, Kowloon, Hong Kong at a consideration payable to FG International, when aggregated with those payable to FG International under the assignments of Workshops A, C, D and E on the 20th Floor of Ford Glory Plaza (item (12) above and items (14), (15) and (16) below), amounted to HK$29,000,000;

(14) an assignment dated 30 June 2010 entered into between FG International and Alpha Best Development Limited for the assignment of Workshop C on the 20th Floor of Ford Glory Plaza, Kowloon, Hong Kong at a consideration payable to FG International, when aggregated with those payable to FG International under the assignments of Workshops A, B, D and E on the 20th Floor of Ford Glory Plaza (items (12) and (13) above and items (15) and (16) below), amounted to HK$29,000,000;

(15) an assignment dated 30 June 2010 entered into between FG International, Alpha Best Development Limited and Kent Full Limited for the assignment of Workshop D on the 20th Floor of Ford Glory Plaza, Kowloon, Hong Kong at a consideration payable to FG International, when aggregated with those payable to FG International under the assignments of Workshops A, B, C and E on the 20th Floor of Ford Glory Plaza (items (12), (13) and (14) above and item (16) below), amounted to HK$29,000,000;

(16) an assignment dated 30 June 2010 entered into between FG International, Alpha Best Development Limited, World Victoria Limited and D & G Property Investment Limited for the assignment of Workshop E on the 20th Floor of Ford Glory Plaza, Kowloon, Hong Kong at a consideration payable to FG International, when aggregated with those payable to FG International under the assignments of Workshops A, B, C and D on the 20th Floor of Ford Glory Plaza (items (12), (13) and (14) and (15) above), amounted to HK$29,000,000;

(17) a share transfer agreement dated 8 September 2010 and entered into by FGG as purchaser, Victory City Investments Limited ("**VC Investments**") and Merlotte Enterprise Limited ("**Merlotte**") as vendors, and the Company as warrantor, pursuant to which FGG acquired the entire issued share capital of FG Holdings in consideration of and in exchange for which FGG (i) at the direction of VC Investments and Merlotte, allotted and issued, credited as fully paid, 1,000,000 shares of FGG to VC Investments, Merlotte and/or Sure Strategy Limited ("**Sure Strategy**"); and (ii) credited as fully paid at par 1,000,000 nil-paid shares of FGG then held by Sure Strategy;

(18) a deed of non-competition dated 8 September 2010 executed by the Company as covenantor in favour of FGG, pursuant to which the Company has, among other matters, irrevocably undertaken with FGG that the Company shall, and shall procure that its associates and/or companies controlled by it, not directly or indirectly, be interested or involved or engaged in any business which competes or likely to compete with the business currently and from time to time engaged by FGG; the details of the non-competition undertaking are set out in the prospectus of FGG dated 17 September 2010;

(19) a deed of indemnity dated 16 September 2010 executed by the Company in favour of FGG to provide indemnities in respect of, among other matters, the estate duty and tax liability which might be incurred by any member of FGG on or before 5 October 2010, details of the non-competition undertaking are set out in the prospectus of FGG dated 17 September 2010, the details of the deed of indemnity are set out in the prospectus of FGG dated 17 September 2010;

(20) the underwriting agreement dated 16 September 2010 entered into among FGG, CIMB Securities (HK) Limited, Mizuho Securities Asia Limited, China Merchants Securities (HK) Co. Limited, Mitsubishi UFJ Securities (HK) Capital, Limited, Redford Securities Limited, executive directors and controlling shareholders of FGG relating to the Hong Kong public offering of FGG, the details of the underwriting agreement are set out in the prospectus of FGG dated 17 September 2010;

(21) a guarantee dated 30 September 2010 entered into between the Company and certain of its wholly-owned subsidiaries, pursuant to which the Company and certain of its wholly-owned subsidiaries provided guarantees in favour of several banks in respect of facilities granted by the banks to FG International. The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK$493 million in aggregate as at 31 March 2010;

(22) a placing agreement dated 13 October 2010 entered into between Pearl Garden Pacific Limited and Madian Star Limited as the vendors, The Royal Bank Of Scotland N.V., Hong Kong Branch as the placing agent and the Company, pursuant to which the Placing Agent has agreed to place, on a best endeavours basis, 130,000,000 placing shares held by Pearl Garden Pacific Limited and Madian Star Limited of HK$1.83 per placing share; and

(23) a subscription agreement dated 13 October 2010 entered into between Pearl Garden Pacific Limited and Madian Star Limited as the subscribers and the Company, pursuant to which Pearl Garden Pacific Limited and Madian Star Limited have conditionally agreed to subscribe for 130,000,000 subscription shares of HK$1.83 per subscription share.

15. INTEREST IN CONTRACTS AND ASSETS

Save as disclosed herein, the master supply agreement dated 27 October 2008 and entered into between Nanjing Synergy and 江門市新會區冠華針織廠有限公司 (Xinhui Victory City Co., Ltd., being its unofficial English name) as disclosed in the announcement of the Company dated 27 October 2008 and the circular of the Company dated 14 November 2008; the three master agreements dated 25 February 2010 and entered into between Ford Glory Holdings Limited and Victory City Holdings Limited, all of which were disclosed in the announcement of the Company dated 25 February 2010 and the circular of the Company dated 18 March 2010; and the two master agreements dated 16 March 2010 entered into between Ford Glory Holdings Limited and 加美(清遠)制衣有限公司 Kimberley (Qing Yuan) Garment Limited and Mayer Apparel Limited, all of which were disclosed in the announcement of the Company dated 16 March 2010 and the circular of the Company dated 1 April 2010; as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group.

Save as disclosed herein, as at the Latest Practicable Date (being the date the published audited financial statements of the Company for the year ended 31 March 2011 was published), none of the Directors had any interest, direct or indirect, in any assets which have been since 31 March 2010, the date to which the published audited financial statements for the year ended 31 March 2010 of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

16. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given their opinions or advice which are contained in this circular.

Name	Qualification
Quam	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Jones Lang LaSalle Sallmanns Limited	An independent professional property valuer

As at the Latest Practicable Date, each of the above experts:

(a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2010, being the date up to which the published audited financial statements for the year ended 31 March 2010 of the Group were made; and

(c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and/or report in the form and context in which they respectively appear.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from Monday to Friday and on the websites of the Company at www.victorycity.com.hk and the SFC at www.sfc.hk from the date of this circular up to and including the date of the SGM:

(a) the Acquisition Agreement;

(b) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(c) the letter from Quam containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Quam" in this circular;

(d) the property valuation report from the Property Valuer in respect of the valuation of the properties held by the Group, the text of which is set out in Appendix I to this circular; and

(e) the written consent of the experts referred to in the paragraph headed "Qualification and consent of experts" in this appendix;

(f) the letter from the Board, the text of which is set out in the section headed "Letter From The Board";

(g) memorandum and bye-laws of the Company;

(h) memorandum and articles of association of the Vendor;

(i) audited published consolidated accounts of the Company for the two financial years ended 31 March 2010;

(j) the material contracts as set out in the paragraph headed "Material contracts" under this section; and

(k) the service agreements of the Directors as set out in the paragraph headed "Service agreements" under this section.

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

(incorporated in Bermuda with limited liability)
(Stock Code: 539)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of Victory City International Holdings Limited ("**Company**") will be held at 10:00 a.m. on Monday, 18 July 2011 at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the acquisition agreement ("**Acquisition Agreement**") dated 13 April 2011 and entered into between Time View Investments Limited ("**Vendor**") and Victory City Holdings Limited ("**Purchaser**"), relating to the acquisition ("**Acquisition**") of the one allotted and issued ordinary share of the Global Honour Investments Limited ("**Target Company**"), representing its entire issued share capital and the entire loan owing by the Target Company to the Vendor prior to the completion of the Acquisition from the Vendor by the Purchaser (a copy of which has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereby; be and are hereby approved and any one director of the Company be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering the Acquisition Agreement, and all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with the transactions contemplated in each of the Agreements and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Acquisition Agreement, as he/she may in his/her absolute discretion consider to be desirable and in the interests of the Company and all of such director's acts as aforesaid be hereby approved, ratified and confirmed;

* *For identification purposes only*

(b) subject to completion of the Acquisition, the directors of the Company be and are hereby generally and specifically authorised to allot and issue up to 257,584,430 new shares of HK$1.747 each in the capital of the Company as consideration shares in accordance with the terms and conditions of the Acquisition Agreement; and

(c) subject to and conditional on the passing of ordinary resolution no. (a), the waiver granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and any delegate of such Executive Director pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") in respect of the obligation on the part of the Vendor and parties acting in concert with it to make a mandatory general offer to the holders of the securities of the Company for all securities of the Company in issue not already owned by the Vendor or parties acting in concert with it under Rule 26 of the Takeovers Code as a result of the allotment and issue of new shares of the Company to satisfy the consideration payable by the Purchaser to the Vendor for the Acquisition pursuant to the Acquisition Agreement be and is hereby approved."

By Order of the Board of Directors of
Victory City International Holdings Limited
Li Ming Hung
Chairman

Hong Kong, 30 June 2011

Registered office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Unit D, 3rd Floor
Winfield Industrial Building
3 Kin Kwan Street
Tuen Mun
New Territories
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.

3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. A form of proxy for use at the SGM is enclosed with the circular to the Shareholders.

6. The ordinary resolution set out above will be determined by way of a poll.

7. As at the date of this notice, the board of directors of the Company comprises Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu, Andy and Mr. Choi Lin Hung as executive directors and Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi as independent non-executive directors.