



ANNUAL REPORT  
2010/2011



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司

(Stock Code : 0616)

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## BOARD OF DIRECTORS

### Executive Directors

Mr. Kwong Jimmy Cheung Tim  
*(Chairman and Chief Executive Officer)*  
Ms. Lui Yuk Chu *(Deputy Chairman)*  
Ms. Koon Ho Yan, Candy

### Non-Executive Director

Mr. Tse Wing Chiu, Ricky

### Independent Non-Executive Directors

Mr. Kan Ka Hon  
Mr. Lau Sin Ming  
Mr. Foo Tak Ching

## AUDIT COMMITTEE

Mr. Kan Ka Hon *(Chairman)*  
Mr. Lau Sin Ming  
Mr. Foo Tak Ching

## REMUNERATION COMMITTEE

Mr. Lau Sin Ming *(Chairman)*  
Mr. Kan Ka Hon  
Mr. Foo Tak Ching

## EXECUTIVE COMMITTEE

Mr. Kwong Jimmy Cheung Tim *(Chairman)*  
Ms. Lui Yuk Chu  
Ms. Koon Ho Yan, Candy

## COMPANY SECRETARY

Mr. Lee Po Wing, Simon

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISERS

*As to Hong Kong law:*  
Richards Butler

*As to Bermuda law:*  
Appleby

## PRINCIPAL BANKERS

Hang Seng Bank Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

7th Floor  
Hong Kong Spinners Building, Phase 6  
481-483 Castle Peak Road  
Cheung Sha Wan, Kowloon  
Hong Kong

## BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

616

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the "Board") of Easyknit Enterprises Holdings Limited (the "Company"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2011.

### FINANCIAL RESULTS

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK\$347,992,000 which comprised the garment sourcing and exporting and the property investment businesses (2010: approximately HK\$31,210,000). As the garment sourcing and exporting business was acquired in March 2010 and the property investment business commenced in September 2010, the figures for the previous financial year ended 31 March 2010 was presented for reference only and was irrelevant for comparison purposes as they did not cover the entire 12-month full year performance. Cost of sales for the garment sourcing and exporting business was approximately HK\$309,487,000 (2010: approximately HK\$25,856,000). The gross profit amounted to approximately HK\$38,505,000 (2010: approximately HK\$5,354,000). The Group's total operating expenses was approximately HK\$37,235,000 (2010: approximately HK\$15,421,000).

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK\$89,000 from the discontinued businesses of bleaching, dyeing and knitting (2010: approximately HK\$21,175,000). The related cost of sales amounted to approximately HK\$139,000 (2010: approximately HK\$24,311,000). Gross loss amounted to approximately HK\$50,000 (2010: gross loss of approximately HK\$3,136,000). Total operating expenses amounted to approximately HK\$1,307,000 (2010: approximately HK\$6,585,000).

Profit attributable to shareholders from the continuing and discontinued operations was approximately HK\$65,060,000 as compared to loss attributable to shareholders of approximately HK\$18,058,000 last year. The turnaround was mainly attributable to (i) the Group ceased its bleaching, dyeing and knitting businesses in November 2009 to prevent further losses; (ii) the Group commenced its garment sourcing and exporting business in March 2010; (iii) the gain arising on changes in fair value of investment properties of approximately HK\$37,374,000; (iv) the gain on fair value changes of investments held for trading of approximately HK\$1,705,000; (v) reversal of impairment loss recognised in respect of property, plant and equipment of HK\$8,777,000; and (vi) gain on disposal of discontinued operations of HK\$21,388,000. Earnings per share for the continuing and discontinued operations was approximately HK\$0.152 (2010: loss of approximately HK\$0.080).

No finance cost was incurred for the year ended 31 March 2011 (2010: nil) as there was no bank borrowing during the year under review.

### BUSINESS REVIEW

During the year ended on 31 March 2011, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment.

### GARMENT SOURCING AND EXPORTING

During the year under review, turnover from this segment amounted to approximately HK\$342,700,000. It constituted an approximately 98.5% of the Group's turnover. Profit gained from this segment was approximately HK\$3,115,000. The product mix of infants wear and ladies wear for the year ended 31 March 2011 was 38.6 : 36.1.

## **PROPERTY INVESTMENT**

During the year under review, rental generated from the two properties of the Group located at Ground and Cockloft Floor, No. 13 Matheson Street, Hong Kong and Ground Floor, No. 148 Johnston Road, Hong Kong was approximately HK\$3,344,000. As a result of change in the original investment plan in Huzhou, the People's Republic of China (the "PRC") (for details, please refer to the Company's announcements dated 24 February 2009 and 1 March 2010 for the reasons of change), the Board decided to increase revenue by leasing out the Huzhou's industrial buildings to local manufacturers. For the year ended 31 March 2011, the Group recorded rental of approximately HK\$1,948,000 from the leasing of the Huzhou's industrial buildings (2010: approximately HK\$550,000). The market values of the Group's two investment properties in Hong Kong as at 31 March 2011 were revalued by professional valuer at approximately HK\$135,000,000, an increase in fair value of approximately HK\$35,217,000 for the year ended 31 March 2011. The value of the Huzhou industrial buildings were valued at approximately HK\$178,070,000, an increase in fair value of approximately HK\$2,157,000 for the year ended 31 March 2011.

## **DISCONTINUED BUSINESSES**

During the year under review, all outstanding orders from the discontinued bleaching, dyeing and knitting businesses were fulfilled by subcontracting out to third party manufacturers.

## **GEOGRAPHICAL ANALYSIS OF TURNOVER**

During the year, the turnover from the garment sourcing and exporting business was mainly derived from customers in the United States of America (the "US"). Rental income from investment properties were derived from properties located in Hong Kong and the PRC.

## **DEVELOPMENT ON THE HUZHOU PROJECT**

As announced by the Company on 1 March 2010, two wholly-owned subsidiaries of the Group, as the sellers, have entered into sale and purchase agreement with the Zhili Town Government, as the purchaser, for the disposal of the three pieces of land forming part of the site of an aggregate area of approximately 303 mu (equivalent to approximately 202,000 sq. m.) situated at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC and the South of Hengtang Harbour, the PRC. The two disposals were approved by the shareholders of the Company at a special general meeting held on 23 April 2010. Details of the two disposals were set out in the Company's circular dated 31 March 2010. The transaction are now completed and fully paid.

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

**PROSPECTS**

The Board has ceased its bleaching, dyeing and knitting manufacturing operations and changed to garment sourcing and exporting business; and investment in real properties.

As regard to the Huzhou Project, the Board together with the Zhili Town Government is looking at other options for the use of the land marked for garment manufacturing operation. As the first step, the Zhili Town Government has agreed that we can use the building of two factory blocks for leasing purposes.

The Group's major market for the garment sourcing and exporting businesses will remain focus on the US and Europe, which are relatively mature and where the customers demand in the long run is expected to be relatively stable notwithstanding any short term fluctuation. The Board will continue to keep its focus in the trading of garments, areas in which the Group has expertise. The Board will strengthen the business relationship with existing customers and look for opportunity to expand its customer base.

The local property market has been rising in the past year. This reflects Hong Kong remaining one of the most attractive markets for property investment. The Board will keep the two properties for investment purpose and constantly look for other opportunities to maximise shareholders' return.

As disclosed in the announcement of the Company dated 31 December 2010 in relation to the Group's new business direction, the Company is exploring investment opportunities in hotel and serviced apartment projects. Notwithstanding, the Company currently has not identified any specific acquisition target.

**LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2011, the Group financed its operations mainly by internally generated resources, and the net proceeds of approximately HK\$64,000,000 raised from the Rights Issue, details of the Rights Issue are shown in section "Capital Structure" below. As at 31 March 2011 and 31 March 2010, the Group had no outstanding bank borrowings. Shareholders' funds of the Group as at 31 March 2011 was approximately HK\$628,362,000 (2010: approximately HK\$489,983,000). As the Group had no borrowings as at 31 March 2011 and 31 March 2010, no gearing ratio of the Group was presented.

The Group continued to sustain a liquidity position. As at 31 March 2011, the Group had net current assets of approximately HK\$280,808,000 (2010: approximately HK\$187,649,000) and cash and cash equivalents of approximately HK\$181,876,000 (2010: approximately HK\$127,912,000). The Group's cash and cash equivalents were mainly denominated in Hong Kong dollars, Renminbi and US dollars. As at 31 March 2011, the Group's current ratio was approximately 6.6 (2010: approximately 5.6), which was calculated on the basis of current assets of approximately HK\$330,468,000 (2010: approximately HK\$191,380,000) and assets classified as held for sale of approximately HK\$227,000 (2010: approximately HK\$36,834,000) to current liabilities of approximately HK\$49,887,000 (2010: approximately HK\$40,565,000). During the year under review, the Group serviced its debts mainly through internally generated resources.

The directors believe that the Group has sufficient financial resources for its operations. The directors will remain cautious in the Group's liquidity management.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

Most of the Group's revenues and payments are in US dollars, Hong Kong dollars and Renminbi. During the year under review, the Group had no significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to currency fluctuations to be minimal.

## **CAPITAL STRUCTURE**

On 5 January 2011, the Company entered into an underwriting agreement in relation to the rights issue of 183,562,225 rights shares at the subscription price of HK\$0.35 per rights share on the basis of one rights share for every two shares held. Details of the aforesaid rights issue were set out in the Company's announcement and prospectus dated 5 January 2011 and 11 February 2011 respectively.

Save as disclosed above, the Group had no debt securities or other capital instruments as at 31 March 2011 and up to the date of this report.

## **MATERIAL ACQUISITION AND DISPOSAL**

The Group had no material acquisitions or disposals of subsidiaries and associated companies for the year ended 31 March 2011.

## **CHARGES ON GROUP ASSETS**

The Group did not have any charges on assets as at 31 March 2011.

## **CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS**

During the year ended 31 March 2011, the Group spent approximately HK\$59,000 on acquisition of property, plant and equipment (2010: approximately HK\$1,115,000).

As at 31 March 2011, the Group had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK\$1,344,000 (2010: approximately HK\$2,142,000) and had no capital expenditure authorised but not contracted for (2010: nil).

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2011 (2010: nil).

## **SIGNIFICANT INVESTMENT**

Save as disclosed above, the Group did not have any significant investment held as at 31 March 2011.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS**

While the directors of the Company are constantly looking for investment opportunities, no concrete new investment projects have been identified.

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2011, the Group employed approximately 40 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors' emoluments) amounted to approximately HK\$14,518,000 for the year under review (2010: approximately HK\$8,763,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has adopted the Mandatory Provident Fund Scheme for the Hong Kong employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

### APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our staff and fellow directors for their contribution to the Group's development and cordial thanks to the continuing support of our customers, suppliers, business associates and shareholders.

**Kwong Jimmy Cheung Tim**

*President and Chief Executive Officer*

Hong Kong, 22 June 2011

## EXECUTIVE DIRECTORS

### **Mr. Kwong Jimmy Cheung Tim**

*Chairman and Chief Executive Officer*

Mr. Kwong, aged 68, is an executive director, Chairman, Chief Executive Officer of the Company and a member and Chairman of the Executive Committee of the Board. He is also an executive director, President, Chief Executive Officer and authorised representative, and a member and Chairman of the Executive Committee of the board of directors of Easyknit International Holdings Limited (“Easyknit International”). Mr. Kwong was graduated from The University of Hong Kong in 1965 and was admitted as Barrister-at-law in the United Kingdom in 1970 and Hong Kong in 1973 respectively. He has over 30 years of experience in the legal field. He serves as director of various subsidiaries of the Company and Easyknit International. Mr. Kwong was appointed to the Board as an independent non-executive director in 2003, and was subsequently re-designated as an executive director in 2007. In December 2007, Mr. Kwong was appointed as Chairman and Chief Executive Officer.

### **Ms. Lui Yuk Chu**

*Deputy Chairman*

Ms. Lui, aged 53, is an executive director and Deputy Chairman of the Company and a member of the Executive Committee of the Board. She is also an executive director and Vice President, and a member of the Executive Committee of the board of directors of Easyknit International. Ms. Lui has been involved in the textiles industry for over 30 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit International. Ms. Lui was appointed to the Board as an executive director in 2003 and was appointed as Deputy Chairman in 2006. She is the mother of Ms. Koon Ho Yan, Candy, an executive director of the Company.

### **Ms. Koon Ho Yan, Candy**

Ms. Koon, aged 26, is an executive director and of the Company and is a member of the Executive Committee of the Board since 2010. Ms. Koon obtained a Bachelor of Arts degree in Economics and Politics from the University of Durham in 2007. She also received her Bachelor of Laws degree and Legal Practice Course qualification in 2009 from the College of Law, England. Ms. Koon is also an executive director and a member of the Executive Committee of the board of directors of Easyknit International. Ms. Koon is the daughter of Ms. Lui, the Deputy Chairman of the Company.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**NON-EXECUTIVE DIRECTOR****Mr. Tse Wing Chiu, Ricky**

Mr. Tse, aged 53, is a non-executive director of the Company. He is also a non-executive director of Easyknit International. Mr. Tse obtained a Master's Degree in Business Administration from Adam Smith University of America in the United States in 1996. He has more than 30 years of experience in garment manufacturing and merchandising. Mr. Tse was appointed to the Board as an executive director and Vice Chairman in 2005, and was subsequently re-designated from Vice Chairman to Chairman and appointed as Chief Executive Officer in 2006. In 2007, Mr. Tse was re-designated from an executive director to a non-executive director of the Company and resigned as Chairman and Chief Executive Officer.

**INDEPENDENT NON-EXECUTIVE DIRECTORS****Mr. Kan Ka Hon**

Mr. Kan, aged 60, is an independent non-executive director of the Company since 2003. He is also a member and Chairman of the Audit Committee of the Board and a member of the Remuneration Committee of the Board. He holds a Bachelor's Degree in Science from The University of Hong Kong and is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in accounting and finance. Mr. Kan is also an independent non-executive director of Victory City International Holdings Limited (Stock Code: 0539).

**Mr. Lau Sin Ming**

Mr. Lau, aged 49, is an independent non-executive director of the Company since 2004. He is also a member and Chairman of the Remuneration Committee of the Board and a member of the Audit Committee of the Board. He is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in accounting and auditing and is now a director of Deep Blue CPA Limited.

**Mr. Foo Tak Ching**

Mr. Foo, aged 77, is an independent non-executive director of the Company and he is also a member of the Audit Committee and Remuneration Committee of the Board since 2007. He is currently a Partner of Messrs. Liu, Choi & Chan, a firm of solicitors and notaries in Hong Kong and has been practising in the legal field for more than 30 years. He obtained his LL.B. from the University of London in the United Kingdom in 1968 and his diploma in Chinese Laws from the University of East Asia in Macau in 1987. Mr. Foo was admitted as a solicitor in England and Wales in 1972 and Hong Kong in 1973 respectively and as a barrister and solicitor in the State of Victoria, Australia in 1982. He is a Notary Public and a China Appointed Attesting Officer.

## SENIOR MANAGEMENT

### **Mr. Koon Wing Yee**

*General Manager*

Mr. Koon, aged 55, is a co-founder of the Group. He was an executive director, Chairman, Chief Executive Officer of the Company during the period from 1994 to 2006. Mr. Koon has been appointed as General Manager of the Group effective February 2011. He reports directly to the Executive Committee of the Board on all matters assigned to him by the Executive Committee. Mr. Koon, is the husband of Ms. Lui Yuk Chu, who is an executive director and Deputy Chairman of the Company, and is also the father of Ms. Koon Ho Yan, Candy, who is an executive director of the Company and a member of the Executive Committee of the Board. He has more than 30 years of experience in the textile and garment industries.

### **Ms. Ho Yuen Yi**

*Assistant General Manager*

Ms. Ho, aged 55, joined the Group in 2010. Prior to joining the Group, she worked as an assistant general manager in a subsidiary of Easyknit International since 2005. She is responsible for the Group's merchandising, shipping and quality control.

### **Mr. Chan Ngai Keung**

*Operation Manager*

Mr. Chan, aged 54, joined the Group in 2004 having over 27 years experience in handling the industrial and commercial matters. Mr. Chan now is the legal representative of three PRC companies of the Group to handle the Huzhou projects. Mr. Chan is a brother-in-law of Ms. Lui Yuk Chu (Deputy Chairman of the Company) and an uncle of Ms. Koon Ho Yan Candy (executive director of the Company).

### **Mr. Lee Po Wing**

*Company Secretary*

Mr. Lee, aged 48, was appointed as the Company Secretary of the Company in April 2011. Mr. Lee is a practising solicitor in Hong Kong since 1994 and has extensive experience in the legal field.

## CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the “Board”) is committed to achieving high standards of corporate governance by emphasising transparency, independence, accountability, responsibility and fairness. The Board strives to ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company and to enhance long-term shareholders’ value.

**CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 March 2011, the Company has applied the principles of, and complied with, all the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for the following deviations. Nevertheless, none of the deviations are considered by the Board to be material or inappropriate given the size, nature and circumstances of the Group.

**Code provision A.2.1**

Mr. Kwong Jimmy Cheung Tim is the Chairman and Chief Executive Officer of the Company. The Board considers that the combination of the roles of Chairman and Chief Executive Officer will not impair the balance of power and authority between the Board and the management of the Company as the Board will meet regularly to consider major matters affecting the operations of the Group. The Board is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently. As such, it is beneficial to the business prospects of the Group.

**Code provision A.4.1**

All the non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation no later than the third annual general meeting after they were last elected or re-elected pursuant to the Bye-laws of the Company.

**Code provision A.4.2**

According to the Special Act of the Company (the “Act”), no director holding the office of Chairman or Managing Director shall be subject to retirement by rotation as provided in the Bye-laws of the Company. As the Company is bound by the provisions of the Act, the Bye-laws of the Company cannot be amended to fully reflect the requirements of the Code.

**CHANGES IN INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, the only change in the information of Directors of the Company is the increase of the directors’ fees of each non-executive director by HK\$20,000 per annum with effect 1 April 2011.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct in relation to directors’ securities transactions. All directors of the Company have confirmed, following specific enquiry made by the Company, that they complied with the required standard set out in the Model Code throughout the year ended 31 March 2011.

## BOARD OF DIRECTORS

The Board currently comprises seven directors, with three executive directors, one non-executive director and three independent non-executive directors. The composition of the Board during the year and up to the date of this report is set out as follows:

### Executive directors:

Mr. Kwong Jimmy Cheung Tim – *Chairman and Chief Executive Officer*

Ms. Lui Yuk Chu – *Deputy Chairman*

Ms. Koon Ho Yan, Candy

### Non-executive director:

Mr. Tse Wing Chiu, Ricky

### Independent non-executive directors:

Mr. Kan Ka Hon

Mr. Lau Sin Ming

Mr. Foo Tak Ching

The biographical details of the existing directors are set out in the “Biographical Details of Directors and Senior Management” on pages 8 to 9 of this annual report.

Throughout the year ended 31 March 2011, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Board has received from each independent non-executive director an annual confirmation of his independence and considers that all the independent non-executive directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationships with each other except that Ms. Koon Ho Yan Candy, an executive director of the Company, is the daughter of Ms. Lui Yuk Chu, the Deputy Chairman of the Company.

## CORPORATE GOVERNANCE REPORT

The Board met eight times during the year ended 31 March 2011. The individual attendance records of the directors at the Board meetings were as follows:

Name of directors	Number of meetings attended	Attendance rate
<b>Executive directors</b>		
Mr. Kwong Jimmy Cheung Tim	8/8	100%
Ms. Lui Yuk Chu	8/8	100%
Ms. Koon Ho Yan, Candy ( <i>appointed on 5 May 2011</i> )	7/8	87.5%
<b>Non-executive director</b>		
Mr. Tse Wing Chiu, Ricky	8/8	100%
<b>Independent non-executive directors</b>		
Mr. Kan Ka Hon	8/8	100%
Mr. Lau Sin Ming	8/8	100%
Mr. Foo Tak Ching	7/8	87.5%

The Board has reserved for its decision or consideration on the matters covering mainly the corporate strategy, board composition, material transactions and investments, risk management, internal control and other significant policies and financial matters. The Board has delegated responsibility for day-to-day management of the Group through the Chief Executive Officer down to the executive management. The respective functions of the Board and management of the Company have been formalised and set out in writing which was approved by the Board in 2005. Such arrangement will be reviewed periodically.

#### Chairman and Chief Executive Officer

Mr. Kwong Jimmy Cheung Tim currently assumes the roles of both the Chairman and Chief Executive Officer of the Company. The reasons for the deviation from the Code provision A.2.1 are explained in the section headed "Corporate Governance Practices" above.

#### Retirement and re-election of directors

The Bye-laws of the Company provide that (1) every director (save and except for the Chairman and the Managing Director) is required to retire by rotation at the annual general meeting no later than the third annual general meeting after he was last elected or re-elected and the directors to retire at every annual general meeting shall be decided by the Board; and (2) any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at the meeting.

#### Non-executive directors

There are currently four non-executive directors on the Board, three of them are independent. All the non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

## BOARD COMMITTEES

The Board has established three committees, namely the Remuneration Committee, the Audit Committee and the Executive Committee with clearly defined written terms of reference. Each committee reports back to the Board on its decisions or recommendations after each meeting for further discussion and approval, unless there are legal or regulatory restrictions on its ability to do so.

### Remuneration Committee

The Company has established a Remuneration Committee. The terms of reference of the Remuneration Committee has been revised in 2009 in full compliance with the provisions set out in the Code.

The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Lau Sin Ming (Committee Chairman), Mr. Kan Ka Hon and Mr. Foo Tak Ching. The principal duties of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; (ii) to make recommendations to the Board on the remuneration packages of all directors and senior management; (iii) to review and approve performance-based bonus; and (iv) to ensure that no director or any of his associates is involved in deciding his own remuneration.

The primary objective of the Company's remuneration policy is to attract, retain and motivate the personnels by providing fair reward for their contributions to the Group's performance. In this context, the remuneration policy is to set the overall remuneration package at a competitive level and in a form that permits additional remuneration to be earned for high performance over a sustained period. The remuneration packages are determined with reference to the time commitment and responsibilities of each individual, the Company's performance and the prevailing market conditions.

During the year ended 31 March 2011, one Remuneration Committee meeting was held. The individual attendance records of the committee members were as follows:

<b>Name of committee members</b>	<b>Number of meetings attended</b>	<b>Attendance rate</b>
Mr. Lau Sin Ming	1/1	100%
Mr. Kan Ka Hon	1/1	100%
Mr. Foo Tak Ching	1/1	100%

The Remuneration Committee has reviewed and recommended the remuneration packages for each director and senior management of the Company for the year ended 31 March 2011 for the Board's approval.

For the year ended 31 March 2011, the main components of the executive directors' remuneration were director's fee, basic salary, benefits in kind, discretionary performance based bonus, retirement benefits and participation in the share option scheme adopted by the shareholders of the Company in June 2002 (the "Share Option Scheme").

The non-executive director and independent non-executive directors did not receive any discretionary bonus or other benefits from the Company for the year ended 31 March 2011. But each of them was entitled to a director's fee and was eligible for the Share Option Scheme subject to the approval of the shareholders of the Company.

During the year ended 31 March 2011, no director was involved in deciding his own remuneration.

## CORPORATE GOVERNANCE REPORT

**Audit Committee**

The Company has established an Audit Committee. The terms of reference of the Audit Committee has been revised in 2009 in compliance with the provisions set out in the Code.

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Kan Ka Hon (Committee Chairman), Mr. Lau Sin Ming and Mr. Foo Tak Ching. executive directors, senior management, head of Accounts Department, representatives of the external auditor of the Company (the “Auditor”) or other persons will be invited to attend the meetings of the Audit Committee as and when required.

The principal duties of the Audit Committee include, (i) to oversee the relationship with the Auditor; (ii) to review the interim and annual financial statements before publication; and (iii) to oversee the Group’s financial reporting system and internal control procedures.

During the year ended 31 March 2011, three Audit Committee meetings were held. The individual attendance records of the committee members were as follows:

<b>Name of committee members</b>	<b>Number of meetings attended</b>	<b>Attendance rate</b>
Mr. Kan Ka Hon	3/3	100%
Mr. Lau Sin Ming	3/3	100%
Mr. Foo Tak Ching	3/3	100%

During the year ended 31 March 2011, the Audit Committee (i) reviewed the reports from the Auditor, accounting principles and practices adopted by the Group, management representation letters, and management’s response in relation to the annual results for the year ended 31 March 2010 and the interim results for the six months ended 30 September 2010; and (ii) reviewed the financial reports for the year ended 31 March 2010 and for the six months ended 30 September 2010 and recommended the same to the Board for approval.

The Audit Committee has reviewed with the management and the Auditor the audited consolidated financial statements of the Company for the year ended 31 March 2011.

**Executive Committee**

The Executive Committee currently comprises all the executive directors of the Company, namely Mr. Kwong Jimmy Cheung Tim (Committee Chairman), Ms. Lui Yuk Chu and Ms. Koon Ho Yan, Candy. It meets as and when required between regular Board meetings of the Company, and operates as a general management committee under the direct authority of the Board. Within the parameters of authority delegated by the Board, the Executive Committee sees to the implementation of the Group’s strategy set by the Board, monitors the Group’s investment and trading performance, funding and financing requirements, and reviews the management performance.

**AUDITOR’S REMUNERATION**

For the year ended 31 March 2011, the Auditor received approximately HK\$1,139,000 for audit service and approximately HK\$1,159,000 for non-audit services related to a major transaction, interim results review, preliminary results announcement and rights issue of the Company’s shares.

## **NOMINATION OF DIRECTORS**

The Company does not have a nomination committee. The Board is empowered under the Company's Bye-laws to appoint any person as director either to fill a casual vacancy or as an addition to the Board.

A written director nomination policy was adopted by the Board in 2006 with the intent to provide a set of guidelines for the effective functioning of the Company's director nomination process. The policy stipulates the criteria for identifying director candidates and the procedures for nomination, evaluation and assessment of candidates for directorship. The selection criteria are mainly based on their personal and professional integrity, independent mindedness, commitment to the Company, experience relevant to the Company's business as well as compliance with legal and regulatory requirements.

During the year ended 31 March 2011, Ms. Koon Ho Yan, Candy was appointed as the executive director on 5 May 2010.

## **FINANCIAL REPORTING**

The directors acknowledge their responsibilities for preparing the financial statements of the Group. With the assistance of the Accounts Department, the directors ensure that the preparation of the financial statements of the Group are in accordance with the statutory requirements and applicable accounting standards. The directors also ensure timely publication of the financial statements of the Group.

The statement of the Auditor regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 27 to 28.

## **INTERNAL CONTROL**

The Board has overall responsibility for maintaining a sound and effective system of internal control of the Group to safeguard the shareholders' investment and the Group's assets, and reviewing its effectiveness.

The Group's internal control system, includes a defined management structure with limits of authority and segregation of duties and periodic review by the Board on the operational and financial reports which were prepared by the management or the Auditor. The internal control system is to safeguard assets against unauthorised use or disposition, ensure maintenance of proper accounting records for provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system aims to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board has conducted a review of effectiveness of the system of internal control and risk management of the Group for the financial year ended 31 March 2011. The Board has also discussed in details the results of the review in the regular board meeting. Recommendations have been suggested to and adopted by the management of the Group in order to enhance its system of internal control and risk management functions.

The Board is of the view that the Company has the appropriate accounting systems and adequate human resources to discharge the financial reporting function of the Group for the year ended 31 March 2011. Training programmes and budget will be provided from time to time for further enhancement.

## COMMUNICATION WITH SHAREHOLDERS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. All shareholders are welcome to the annual general meeting of the Company, at which directors of the Company will be available to answer questions from shareholders. Communication is also provided through the annual reports, interim reports, announcements and circulars issued by the Company from time to time. Shareholders may also contact the Company in writing or visit the Company's website [www.easyknitenterp.com](http://www.easyknitenterp.com) for information about the Group and its activities.

In compliance with the Code, all annual general meetings shall be called by at least 20 clear business days' notice, whilst other general meetings shall be called by at least 10 clear business days' notice. All resolutions at general meetings are dealt with by poll. An announcement on the poll vote results will be published in the websites of the Stock Exchange and the Company following the relevant general meeting.

The directors present the Company's annual report and the audited consolidated financial statements for the year ended 31 March 2011.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 34 to the consolidated financial statements.

### **RESULTS**

The results of the Group are set out in the consolidated statement of comprehensive income on page 29.

### **SHARE CAPITAL**

The details of movements in the Company's share capital during the year are set out in note 28 to the consolidated financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent HK\$59,000 on the acquisition of property, plant and equipment. The details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

### **INVESTMENT PROPERTIES**

The Group's investment properties were revalued as at 31 March 2011 by independent professional property valuers and the gain arising on changes in fair value of investment properties, which had been charged directly to profit or loss, amounted to HK\$37,374,000. Details of these are set out in note 17 to the consolidated financial statements.

### **DISTRIBUTABLE RESERVES OF THE COMPANY**

The Company has no reserves available for distribution at 31 March 2011.

## DIRECTORS

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

### Executive directors:

Kwong Jimmy Cheung Tim (*Chairman and Chief Executive Officer*)

Lui Yuk Chu (*Deputy Chairman*)

Koon Ho Yan, Candy

(*appointed on 5 May 2010*)

### Non-executive director:

Tse Wing Chiu, Ricky

### Independent non-executive directors:

Kan Ka Hon

Lau Sin Ming

Foo Tak Ching

In accordance with the Company's Bye-law 99, Mr. Tse Wing Chiu, Ricky and Mr. Lau Sin Ming will retire from office at the forthcoming annual general meeting of the Company by rotation and, being eligible, have offered themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

None of the directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Group are set out on pages 8 to 10 of this annual report.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below, there was no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below, there was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. In addition, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of director	Capacity	Number of ordinary shares held (long position)	Approximate percentage to issued ordinary shares of the Company
Ms. Lui Yuk Chu	Beneficiary of a trust ( <i>note i</i> )	174,592,987	31.70%
Ms. Koon Ho Yan, Candy ( <i>note ii</i> )	Beneficiary of a trust	174,592,987	31.70%

*Notes:*

- (i) These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was wholly-owned subsidiary of Easykmit International Holdings Limited ("Easykmit International"). Sea Rejoice Limited was interested in approximately 21.95% of the issued share capital of Easykmit International and it was wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited ("Magical Profits") was interested in approximately 36.74% of the issued share capital of Easykmit International. Magical Profits was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) Ms. Koon Ho Yan, Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, was deemed to be interested in the shares by virtue of her capacity as one of the beneficiaries of Magical 2000 Trust.

Save as disclosed above, as at 31 March 2011, none of the directors or chief executives of the Company had any interests or short positions 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 had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

#### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Details of the Company's share option scheme and movements of options during the year are set out in note 29 to the consolidated financial statements.

No share options were granted to, or exercised by, the directors during the year. There was no outstanding option granted to the directors at the beginning and at the end of the year.

Save as disclosed above, at no time during the year ended 31 March 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, the persons (other than the directors or the chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Notes	Capacity	Number of ordinary shares held (long position)	Approximate percentage to issued ordinary shares of the Company
Koon Wing Yee	<i>a</i>	Interest of spouse	174,592,987	31.70%
Landmark Profits Limited	<i>a, b</i>	Beneficial owner	174,592,987	31.70%
Easyknit International	<i>a, b</i>	Interest of controlled corporation	174,592,987	31.70%
Magical Profits	<i>a, c</i>	Interest of controlled corporation	174,592,987	31.70%
Accumulate More Profits Limited	<i>a</i>	Interest of controlled corporation	174,592,987	31.70%
Hang Seng Bank Trustee International Limited	<i>a, d</i>	Trustee	174,592,987	31.70%
Hang Seng Bank Limited	<i>d</i>	Interest of controlled corporation	174,592,987	31.70%
The Hongkong & Shanghai Banking Corporation Limited	<i>d</i>	Interest of controlled corporation	174,592,987	31.70%
HSBC Asia Holdings BV	<i>d</i>	Interest of controlled corporation	174,592,987	31.70%
HSBC Asia Holdings (UK)	<i>d</i>	Interest of controlled corporation	174,592,987	31.70%
HSBC Holdings BV	<i>d</i>	Interest of controlled corporation	174,592,987	31.70%
HSBC Finance (Netherlands) ( <i>note d</i> )	<i>d</i>	Interest of controlled corporation	174,592,987	31.70%
HSBC Holdings plc	<i>d</i>	Interest of controlled corporation	174,592,987	31.70%
Park Jong Yong		Beneficial owner	61,775,205	11.22%
Daswani Rajkumar Murlidhar		Beneficial owner	155,078,214	28.16%

*Notes:*

- (a) The 174,592,987 shares related to the same block of shares in the Company. These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of Easyknit International. Sea Rejoice Limited was interested in approximately 21.95% of the issued share capital of Easyknit International and it was wholly-owned by Ms. Lui Yuk Chu. Magical Profits was interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a director of the Company, and her family members other than her spouse). Ms. Koon Ho Yan, Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, was deemed to be interested in the shares by virtue of her capacity as one of the beneficiaries of the Magical 2000 Trust. Mr. Koon Wing Yee, Being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 174,592,987 shares by virtue of the SFO.
- (b) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being directors of the Company, are also directors of Landmark Profits Limited and Easyknit International. Ms. Koon Ho Yan, Candy, being a director of the Company, is also a director of Easyknit International.
- (c) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Sea Rejoice Limited and Magical Profits Limited.
- (d) Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited was owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at 31 March 2011, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

## CONNECTED TRANSACTIONS

For the year ended 31 March 2011, the Company had a consultancy agreement with Mr. Koon Wing Yee for consultancy services provided by Mr. Koon Wing Yee to the Group for the consultancy fee of HK\$498,000 per annum which shall be payable in arrears by twelve monthly payments of HK\$41,500 each. The consultancy agreement was for a period of one year commencing on 15 January 2010 and expired in January 2011. Mr. Koon Wing Yee is the spouse of Ms. Lui Yuk Chu, who is a director of the Company and also a director of Magical Profits Limited. Consultancy fee paid and payable by the Company to Mr. Koon Wing Yee during the year amounted to HK\$394,250. During the year, the Company entered into an employment contract with Mr. Koon Wing Yee to act as a general manager of the Company for a salary of HK\$50,000 per month.

As announced on 30 April 2010, Easyknit Global Company Limited as tenant (an indirectly wholly-owned subsidiary of the Company) entered into a tenancy agreement (the "Tenancy Agreement") with Wellmake Investments Limited as landlord (a wholly-owned subsidiary of Easyknit International Holdings Limited which is a substantial shareholder of the Company being indirectly interested in approximately 31.70% of the issued share capital of the Company) in relation to the renewal of the tenancy of the premises at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (the "Premises") for a period of 12 months from 1 May 2010 to 30 April 2011 at a monthly rental of HK\$206,800.

Wellmake is therefore a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules and the annual cap of HK\$2,481,600, being the aggregate annual rental for the Premises based on the monthly rental of HK\$206,800, under the Tenancy Agreement constituted a continuing connected transaction of the Company.

The directors, including the independent non-executive directors, of the Company have reviewed the continuing connected transaction and confirmed that it was entered into:

- (1) in the ordinary and usual course of business;
- (2) on terms no less favourable than those available to independent third parties; and
- (3) on terms that are fair and reasonable and in the interests of the shareholders as a whole.

## MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest suppliers of the Group accounted for approximately 98% of the Group's purchases and the largest supplier accounted for approximately 25% of the Group's purchases.

The five largest customers of the Group accounted for approximately 98% of the Group's turnover and the largest customer accounted for approximately 85% of the Group's turnover.

None of the directors, their associates and shareholders of the Company (which to the knowledge of the directors of the Company, own more than 5% of the Company's share capital) have an interest in the Group's five largest suppliers or customers.

## PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale and redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 March 2011.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the executive directors of the Company on the basis of their performance, experience and prevailing industry practice.

The emolument of the directors of the Company is determined by the Board after recommendation from the Remuneration Committee, having regard to the time commitment and responsibilities of individual directors, the Company's performance and the prevailing market conditions.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in note 29 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of its directors as at the date of this report, the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on the Stock Exchange.

## **AUDIT COMMITTEE**

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the Audit Committee is to review and supervise the financial reporting process and internal control systems of the Group. The audit committee is comprised of three independent non-executive directors. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2011.

## **CORPORATE GOVERNANCE**

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 11 to 17 of this annual report.

## **AUDITOR**

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

On behalf of the Board

**KWONG JIMMY CHEUNG TIM**

*Chairman and Chief Executive Officer*

Hong Kong, 22 June 2011

# Deloitte.

## 德勤

### TO THE MEMBERS OF EASYKNIT ENTERPRISES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 29 to 90, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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



## INDEPENDENT AUDITOR'S REPORT

### **OPINION**

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
22 June 2011

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Continuing operations:			
Turnover	7	347,992	31,210
Cost of sales		(309,487)	(25,856)
Gross profit		38,505	5,354
Other gains or losses	9	997	—
Other income		366	311
Other expenses		(1,147)	(2,068)
Distribution and selling expenses		(6,912)	(582)
Administrative expenses		(29,176)	(12,771)
Gain arising on changes in fair value of investment properties		37,374	1,189
Gain on fair value changes of investments held for trading		1,705	119
Loss on fair value change of other financial assets at fair value through profit or loss		(673)	—
Reversal of impairment loss recognised in respect of property, plant and equipment	16	8,777	—
Profit (loss) before taxation		49,816	(8,448)
Taxation	11	(4,939)	(589)
Profit (loss) for the year from continuing operations	12	44,877	(9,037)
Discontinued operations:			
Profit (loss) for the year from discontinued operations	13	20,183	(9,021)
Profit (loss) for the year attributable to owners of the Company		65,060	(18,058)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTE	2011 HK\$'000	2010 HK\$'000
Other comprehensive income			
Exchange differences arising on translation of foreign operations		9,511	—
Revaluation upon reclassification to investment properties		—	1,435
Gain on revaluation of prepaid lease payments		—	52,730
Deferred tax liabilities in respect of revaluation		—	(13,541)
Other comprehensive income for the year		9,511	40,624
Total comprehensive income for the year attributable to owners of the Company		74,571	22,566
			(Restated)
Basic earnings (loss) per share	14		
From continuing and discontinued operations		HK\$0.152	HK\$(0.080)
From continuing operations		HK\$0.105	HK\$(0.040)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	9,786	1,363
Investment properties	17	300,597	255,163
Goodwill	18	39,313	39,313
Intangible asset	19	21,614	24,740
		<u>371,310</u>	<u>320,579</u>
<b>Current assets</b>			
Inventories	20	6,155	275
Trade and other receivables	21	64,625	32,972
Bills receivable	22	—	26,266
Investments held for trading	23	58,485	3,955
Other financial assets at fair value through profit or loss	24	19,327	—
Bank balances and cash	25	181,876	127,912
		<u>330,468</u>	<u>191,380</u>
Assets classified as held for sale	13	227	36,834
		<u>330,695</u>	<u>228,214</u>
<b>Current liabilities</b>			
Trade and other payables	26	36,129	33,855
Tax payable		13,758	6,710
		<u>49,887</u>	<u>40,565</u>
Net current assets		<u>280,808</u>	<u>187,649</u>
Total assets less current liabilities		<u>652,118</u>	<u>508,228</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Non-current liabilities			
Deferred tax liabilities	27	23,756	18,245
		<u>628,362</u>	<u>489,983</u>
Capital and reserves			
Share capital	28	5,507	3,671
Reserves		622,855	486,312
		<u>628,362</u>	<u>489,983</u>

The consolidated financial statements on pages 29 to 90 were approved and authorised for issue by the Board of Directors on 22 June 2011 and are signed on its behalf by:

**Kwong Jimmy Cheung Tim**  
*DIRECTOR*

**Lui Yuk Chu**  
*DIRECTOR*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2009	7,342	369,309	53,194	714	21,178	—	(95,157)	356,580
Revaluation of building upon reclassification to investment properties	—	—	—	—	—	1,435	—	1,435
Revaluation of prepaid lease payments upon reclassification to investment properties	—	—	—	—	—	52,730	—	52,730
Deferred tax liabilities in respect of revaluations	—	—	—	—	—	(13,541)	—	(13,541)
Loss for the year	—	—	—	—	—	—	(18,058)	(18,058)
Total comprehensive income (expense) for the year	—	—	—	—	—	40,624	(18,058)	22,566
Reduction of share capital upon capital reorganisation (see note 28(a))	(6,608)	—	—	6,608	—	—	—	—
Reduction of share premium upon capital reorganisation (see note 28(a))	—	(369,309)	—	369,309	—	—	—	—
Set-off of contributed surplus against accumulated losses (see note 28(a))	—	—	—	(76,909)	—	—	76,909	—
Rights issue of shares (see note 28(b))	2,937	108,669	—	—	—	—	—	111,606
Transaction costs attributable to issue of new shares	—	(769)	—	—	—	—	—	(769)
At 31 March 2010	3,671	107,900	53,194	299,722	21,178	40,624	(36,306)	489,983

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
Exchange differences arising on translation of foreign operations	—	—	—	—	9,511	—	—	9,511
Profit for the year	—	—	—	—	—	—	65,060	65,060
Total comprehensive income for the year	—	—	—	—	9,511	—	65,060	74,571
Rights issue of shares (see note 28(c))	1,836	62,411	—	—	—	—	—	64,247
Transaction costs attributable to issue of new shares	—	(439)	—	—	—	—	—	(439)
<b>At 31 March 2011</b>	<b>5,507</b>	<b>169,872</b>	<b>53,194</b>	<b>299,722</b>	<b>30,689</b>	<b>40,624</b>	<b>28,754</b>	<b>628,362</b>

The capital reserve of the Group represents the credit arising from the reduction of share capital of the Company in March 2004 and September 2005 and can be applied in the future for distribution to the shareholders.

The contributed surplus of the Group represents the credit arising from the reduction of share capital of the Company in February 2003 and October 2009, part of which was applied to set off against accumulated losses of the Company in October 2009. The balance may be utilised by the directors in accordance with the Company's Bye-laws and all applicable laws, including to eliminate the accumulated losses of the Company.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK\$'000	2010 HK\$'000
Operating activities		
Profit (loss) for the year	65,060	(18,058)
Adjustments for:		
Taxation recognised in profit or loss	11,638	1,221
Interest income	(252)	(163)
Depreciation	615	2,274
Amortisation of prepaid lease payments	—	833
Amortisation of intangible asset	3,126	260
Allowance for inventories	—	973
Write back of allowance for doubtful debts	—	(57)
Gain on fair value changes of investments held for trading	(1,705)	(119)
Dividend income from listed investments	(153)	(107)
(Reversal of impairment loss) impairment loss recognised in respect of property, plant and equipment	(8,777)	2,654
Impairment loss recognised in respect of deposits for acquisition of property, plant and equipment	—	38
Loss (gain) on disposal of property, plant and equipment	3	(1,159)
Loss on fair value change of other financial assets at fair value through profit or loss	673	—
Gain on disposal of assets classified as held for sale	(18,592)	—
Gain arising on changes in fair value of investment properties	(37,374)	(1,189)
Operating cash flows before movements in working capital	14,262	(12,599)
(Increase) decrease in inventories	(5,880)	4,760
(Increase) decrease in trade and other receivables	(41,708)	43,952
Decrease (increase) in bills receivable	26,266	(151)
Increase (decrease) in trade and other payables	5,684	(9,727)
(Increase) decrease in investments held for trading	(52,825)	220
Decrease in bills payable	—	(2,772)
Cash (used in) from operations	(54,201)	23,683
Dividend received from investments held for trading	153	107
Income tax paid	(151)	—
Net cash (used in) from operating activities	(54,199)	23,790

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	NOTE	2011 HK\$'000	2010 HK\$'000
<b>Investing activities</b>			
Proceeds from disposal of assets classified as held for sale		44,673	—
Refund of deposit in respect of construction of property, plant and equipment		17,967	—
Interest received		252	163
Purchase of other financial assets at fair value through profit or loss		(20,000)	—
Addition of investment properties		(961)	(96,822)
Purchase of property, plant and equipment		(59)	(1,115)
Decrease in pledged bank deposits		—	10,000
Proceeds from disposal of property, plant and equipment		—	5,383
Deposit received for disposal of the Repurchased Lands		—	3,410
Acquisition of subsidiaries	30	—	(82,492)
Purchase of land use rights		—	(116)
<b>Net cash from (used in) investing activities</b>		<b>41,872</b>	<b>(161,589)</b>
<b>Financing activities</b>			
Proceeds from right issue of shares		64,247	110,837
Transaction costs attributable to right issue of shares		(439)	—
<b>Net cash from financing activities</b>		<b>63,808</b>	<b>110,837</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>51,481</b>	<b>(26,962)</b>
Cash and cash equivalents at beginning of the year		127,912	154,870
Effect of foreign exchange rate changes		2,483	4
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>		<b>181,876</b>	<b>127,912</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”) which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 34.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations (“INTs”) (collectively “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 April 2010.

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 32 (Amendment)	Classification of rights issues
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 adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)**

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

#### New and revised standards and interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKFRS 7 (Amendment)	Disclosures - Transfers of financial assets <sup>3</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>5</sup>
HKAS 24 (Revised)	Related party disclosures <sup>6</sup>
HK(IFRIC*) - INT 14 (Amendments)	Prepayments of a minimum funding requirement <sup>6</sup>
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments <sup>2</sup>

\* IFRIC represents the International Financial Reporting Interpretations Committee.

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>6</sup> 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. 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 January 2013, with earlier application permitted. The directors of the Company anticipate that the amendments to HKFRS 9 may not have material impact on the Group’s financial assets and financial liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED****New and revised standards and interpretations issued but not yet effective – continued**

The amendments to HKAS 12 titled “Deferred tax: Recovery of underlying assets” mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property”. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors are in the process of assessing the impact on application of these new amendments to HKAS 12 and the directors anticipate that these amendments will have an impact on deferred tax liabilities of the Group.

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Basis of consolidation**

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **Business combinations that took place prior to 1 April 2010**

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

#### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

#### **Goodwill**

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit 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 cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit 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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****Non-current assets held for sale**

Non-current assets or disposal groups are classified as held for sale if their carrying amount 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 (or disposal groups) classified as held for sale are measured at the lower of the assets' (or disposal groups') previous carrying amount and fair value less costs to sell.

**Discontinued operations**

A discontinued operation is a component of the Group, which comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Group, and has been disposed of, or is classified as held for sale, and either (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

**Revenue recognition**

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

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are rendered.

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

Dividend income from investments including investments held for trading is recognised when the shareholders' rights to receive payment have been established.

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **Property, plant and equipment**

Property, plant and equipment (other than construction in progress) are stated at cost less subsequent accumulated depreciation and 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, 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 recognised impairment loss. 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.

If an item of property, plant and equipment, including the leasehold land presented as prepaid lease payments, becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

#### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure, except for the properties transferred from property, plant and equipment, which are measured at fair value at the date of transfer. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 asset) is included in profit or loss in the period in which the item is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

**Financial instruments**

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

**Financial assets**

The Group's financial assets are classified into two categories including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

*Effective interest method*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Financial instruments – continued

#### Financial assets – continued

##### *Financial assets at FVTPL*

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as 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; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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; or
- 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.

Financial assets at FVTPL, including equity linked investments, are measured at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit and loss excludes any dividend or interest earned on the financial assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****Financial instruments – continued****Financial assets – continued***Loans and receivables*

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

**Impairment of financial assets**

Financial assets, other than financial assets 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.

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 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 trade receivables and other receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Objective evidence of impairment for trade and other receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the trade and other receivables past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default in the receivables. When trade and other receivables are considered uncollectible, they are 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **Financial instruments** – continued

#### **Financial liabilities and equity instruments**

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### *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 on initial recognition.

Interest expense is recognised on an effective interest basis.

#### *Financial liabilities*

Financial liabilities including trade and other payables are 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **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 the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

**Taxation**

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **Taxation** – continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries 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.

#### **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 profit or loss on a straight-line basis over the term of the relevant lease.

##### *The Group as lessee*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****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 exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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 year, 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 (exchange reserve).

**Government grants**

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Retirement benefits costs**

Payments to the state-sponsored pension scheme operated by the Mainland China (the "PRC") government or the Hong Kong Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contribution.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other 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 within the next financial year.

##### **Estimated impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, the carrying amount of goodwill is HK\$39,313,000 (2010: HK\$39,313,000). Details of the recoverable amount calculation are disclosed in note 18.

##### **Estimated impairment of intangible asset**

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, the carrying amount of intangible asset is HK\$21,614,000 (2010: HK\$24,740,000). Details of the recoverable amount calculation are disclosed in note 18.

##### **Amortisation of intangible asset**

Intangible asset is amortised on a straight-line basis over its estimated useful life. Management estimates that the useful life of the intangible asset is 8 years, with reference to the attrition rate estimated by an independent valuer. The carrying amount of the Group's intangible asset at 31 March 2011 is HK\$21,614,000 (2010: HK\$24,740,000).

Changes in the expected level of customer attrition could impact the economic useful life and the carrying amount of the intangible asset, and therefore future amortisation charges could be revised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**5. CAPITAL RISK MANAGEMENT**

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

The capital structure of the Group consists of debt, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and raising of bank loans.

**6. FINANCIAL INSTRUMENTS****a. Categories of financial instruments**

	2011 HK\$'000	2010 HK\$'000
<b>Financial assets</b>		
Investments held for trading	58,485	3,955
Other financial assets at FVTPL	19,327	—
Loans and receivables (including cash and cash equivalents)		
– Trade and other receivables	43,198	32,523
– Bills receivable	—	26,266
– Bank balances and cash	181,876	127,912
	<u>302,886</u>	<u>190,656</u>
<b>Financial liabilities</b>		
Amortised cost		
Trade and other payables	20,434	21,044
	<u>20,434</u>	<u>21,044</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 6. FINANCIAL INSTRUMENTS – CONTINUED

#### b. Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, other financial assets at FVTPL, trade and other receivables, bills receivable, bank balances and cash, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (i) Currency risk

Certain subsidiaries of the Group have foreign currency sales or purchases denominated in currencies other than their functional currencies, which expose the Group to foreign currency risk. Approximately 98% (2010: 95%) of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale, whilst almost all purchases are denominated in the group entities' functional currency.

The carrying amount of the group entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period is as follows:

	Liabilities		Assets	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Renminbi ("RMB")	1,109	731	10	3,999
HKD	—	—	28	258
United States dollars("USD")	114	107	35,355	59,781

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 6. FINANCIAL INSTRUMENTS – CONTINUED

## b. Financial risk management objectives and policies– continued

## Market risk– continued

## (i) Currency risk– continued

*Sensitivity analysis*

The Group is mainly exposed to the currency of RMB and the currency of USD.

The following table details the group entities' sensitivity to a 5% increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies. 5% (2010: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit or a decrease in loss where functional currency of the relevant group entities weaken 5% against the relevant foreign currency. For a 5% strengthening of functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	RMB Impact		HKD Impact		USD Impact	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase (decrease) in profit	(55)	167	1	13	1,762	2,984

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

**6. FINANCIAL INSTRUMENTS – CONTINUED**

**b. Financial risk management objectives and policies– continued**

**Market risk– continued**

*(ii) Other price risk*

The Group is exposed to equity price risk through its investments held for trading and other financial asset at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in banking and finance industry sector quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the investments held for trading and fair value of other financial assets at FVTPL had been 5% (2010: 5%) higher/lower, post-tax profit for the year ended 31 March 2011 would increase/decrease by HK\$3,890,000 (2010: increase/decrease by HK\$198,000) as a result of the changes in fair value of investments held for trading and other financial asset at FVTPL.

**Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In view of the nature of business, the Group targets on a focused market. As at 31 March 2011, the Group has concentration of credit risk in the trade receivables balance amounting to HK\$28,788,000 (2010: HK\$7,162,000) derived from the five largest customers with good credit history in garment industry. In order to minimise the credit risk, the management of the Group has reviewed the financial position, liquidity and recoverable amount of each individual trade receivable regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**6. FINANCIAL INSTRUMENTS – CONTINUED****b. Financial risk management objectives and policies**– continued**Liquidity risk**

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 March 2011, the Group has available unutilised bank loan facilities of HK\$50,000,000 (2010: HK\$50,000,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

*Liquidity tables*

	<b>Effective interest rate</b>	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>Total undiscounted cash flows</b>	<b>Carrying amount</b>
	<b>%</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>2011</b>					
Non-derivative financial liabilities					
Trade and other payables	—	<u>20,434</u>	—	<u>20,434</u>	<u>20,434</u>
<b>2010</b>					
Non-derivative financial liabilities					
Trade and other payables	—	<u>20,982</u>	<u>62</u>	<u>21,044</u>	<u>21,044</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 6. FINANCIAL INSTRUMENTS – CONTINUED

#### c. Fair value

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

- The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.
- The fair value of other financial asset at FVTPL are determined based on valuation provided by the counterparty financial institution for equivalent instruments.

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

#### *Fair value measurements recognised in the consolidated statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 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) in 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).

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
<b>2011</b>			
Financial assets at FVTPL			
Equity linked investments	—	19,327	19,327
Investments held for trading	58,485	—	58,485
	<u>58,485</u>	<u>19,327</u>	<u>77,812</u>
<b>2010</b>			
Financial assets at FVTPL			
Investments held for trading	3,955	—	3,955
	<u>3,955</u>	<u>—</u>	<u>3,955</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**7. TURNOVER**

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of discounts and sales related taxes, and rental income received and receivable during the year. An analysis of the Group's turnover from its continuing operations is as follows:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>342,700</b>	28,888
Rental income	<b>5,292</b>	2,322
	<hr/>	<hr/>
	<b>347,992</b>	31,210
	<hr/> <hr/>	<hr/> <hr/>

**8. SEGMENT INFORMATION**

Segment information is based on internal management reporting information that is regularly reviewed by the Group's chief executive officer. The Group's chief executive officer is identified as the chief operating decision maker of the Group and assesses segment profit or loss using a measure of operating profit for the purpose of resource allocation and performance assessment. The measurement policies used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items (other income, other expenses, other gains or losses, gain arising on changes in fair value of investment properties, loss on fair value change of other financial assets at FVTPL, gain on fair value changes of investments held for trading, reversal of impairment loss recognized in respect of property, plant and equipment and unallocated corporate expenses) are not included in arriving at the segment results of the operating segments.

The Group's operating and reportable segments from continuing operations under HKFRS 8 are: (a) garment sourcing and exporting and (b) property investment. This is also the basis of organisation, whereby the management has chosen to organise the Group around differences in products and services. Garment sourcing and exporting segment is a new operating segment since year ended 31 March 2010 through the acquisition of subsidiaries in that year as set out in note 30.

All of the Group's operations relating to bleaching and dyeing, and knitting were discontinued during the year ended 31 March 2010 (see note 13), accordingly, the segment information reported below does not include any amounts for the discontinued operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 8. SEGMENT INFORMATION – CONTINUED

#### Segment revenue and results

The following is an analysis of the Group's revenue and results from its continuing operations by operating and reportable segment:

*For the year ended 31 March 2011*

#### Continuing operations:

	Garment sourcing and exporting HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover				
External	342,700	5,292	—	347,992
Segment profit	3,115	2,450	—	5,565
Other income				366
Other expenses				(1,147)
Other gain or losses				997
Gain arising on changes in fair value of investment properties				37,374
Gain on fair value changes of investments held for trading				1,705
Loss on fair value change of other financial assets at FVTPL				(673)
Reversal of impairment loss recognised in respect of property, plant and equipment				8,777
Unallocated corporate expenses				(3,148)
Profit before taxation (continuing operations)				49,816

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**8. SEGMENT INFORMATION – CONTINUED****Segment revenue and results – continued***For the year ended 31 March 2010***Continuing operations:**

	Garment sourcing and exporting HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover				
External	28,888	2,322	—	31,210
Segment result	288	954	—	1,242
Other income				311
Other expenses				(2,068)
Gain arising on changes in fair value of investment properties				1,189
Gain on fair value changes of investments held for trading				119
Unallocated corporate expenses				(9,241)
Loss before taxation (continuing operations)				(8,448)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the result incurred by each segment without allocation of other income, other gains or losses, other expenses, gain arising on changes in fair value of investment properties, gain on fair value changes of investments held for trading, loss on fair value change of other financial assets at FVTPL, reversal of impairment loss recognised in respect of property, plant and equipment and unallocated corporate expenses. This is the measure reported to the Group's chief executive officer for the purposes of resource allocation and performance assessment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 8. SEGMENT INFORMATION – CONTINUED

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	2011 HK\$'000	2010 HK\$'000
<b>Segment assets</b>		
Garment sourcing and exporting	123,898	102,595
Property investment	310,008	255,720
	<hr/>	<hr/>
Total segment assets	433,906	358,315
Assets relating to discontinued operations	227	36,834
Investment held for trading	58,485	3,955
Other financial assets at FVTPL	19,327	—
Unallocated bank and cash balances	170,870	98,475
Others	19,190	51,214
	<hr/>	<hr/>
Consolidated assets	702,005	548,793
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
Garment sourcing and exporting	19,194	19,784
Property investment	3,877	2,830
	<hr/>	<hr/>
Total segment liabilities	23,071	22,614
Unallocated	50,572	36,196
	<hr/>	<hr/>
Consolidated liabilities	73,643	58,810
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to operating and reportable segments other than investments held for trading, other financial assets at fair value through profit or loss, unallocated bank and cash balances and assets used jointly by operating and reportable segments.
- all liabilities are allocated to operating and reportable segments other than current and deferred tax liabilities and liabilities for which operating and reportable segments are jointly liable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**8. SEGMENT INFORMATION – CONTINUED****Other segment information***For the year ended 31 March 2011***Continuing operations:**

Amounts included in the measure of segment profit or loss or segment assets:

	<b>Garment sourcing and exporting HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Total HK\$'000</b>
Capital additions	47	973	1,020
Amortisation	3,126	—	3,126
Depreciation	485	15	500
	<u>485</u>	<u>15</u>	<u>500</u>

*For the year ended 31 March 2010***Continuing operations:**

Amounts included in the measure of segment profit or loss or segment assets:

	<b>Garment sourcing and exporting HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Capital additions	—	97,710	—	97,710
Amortisation	260	—	49	309
Depreciation	40	39	1,451	1,530
	<u>40</u>	<u>39</u>	<u>1,451</u>	<u>1,530</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 8. SEGMENT INFORMATION – CONTINUED

#### Geographical information

The Group's operations are located in Hong Kong and the PRC.

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

	Revenue from external customers		Non-current assets	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Australia	6,345	—	—	—
Europe	20,637	—	—	—
Hong Kong	3,344	1,772	196,590	164,395
PRC	1,948	550	174,720	156,184
The United States of America	315,171	28,888	—	—
Others	547	—	—	—
	<u>347,992</u>	<u>31,210</u>	<u>371,310</u>	<u>320,579</u>

#### Information about major customers

Revenue from continuing operations from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 HK\$'000	2010 HK\$'000
Customer A <sup>1</sup>	<u>294,346</u>	<u>25,373</u>

1 Revenue from garment sourcing and exporting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 9. OTHER GAINS OR LOSSES

	2011 HK\$'000	2010 HK\$'000
Net exchange gain	997	—

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (a) Information regarding directors' emoluments

Details of emoluments to the directors of the Company for the year ended 31 March 2011 are as follows:

	Kwong Jimmy Cheung Tim HK\$'000	Lui Yuk Chu HK\$'000	Koon Ho Yan Candy HK\$'000	Tse Wing Chiu, Ricky HK\$'000	Kan Ka Hon HK\$'000	Lau Sin Ming HK\$'000	Foo Tak Ching HK\$'000	Total HK\$'000
Fees	—	—	—	100	100	100	100	400
Other emoluments								
– Salaries and other benefits	840	1,461	272	—	—	—	—	2,573
– Contributions to retirement benefit schemes	—	12	11	—	—	—	—	23
Total directors' emoluments	840	1,473	283	100	100	100	100	2,996

Details of emoluments to the directors of the Company for the year ended 31 March 2010 are as follows:

	Kwong Jimmy Cheung Tim HK\$'000	Lui Yuk Chu HK\$'000	Koon Ho Yan Candy HK\$'000	Tse Wing Chiu, Ricky HK\$'000	Kan Ka Hon HK\$'000	Lau Sin Ming HK\$'000	Foo Tak Ching HK\$'000	Total HK\$'000
Fees	—	—	—	100	100	100	100	400
Other emoluments								
– Salaries and other benefits	840	1,328	—	—	—	—	—	2,168
– Contributions to retirement benefit schemes	—	12	—	—	—	—	—	12
Total directors' emoluments	840	1,340	—	100	100	100	100	2,580

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

#### (b) Information regarding employees' emoluments

The five highest paid individuals of the Group included two (2010: two) directors whose emoluments were included above. The emoluments of the remaining three (2010: three) highest paid individuals, not being directors, are as follows:

	2011 HK\$'000	2010 HK\$'000
Salaries and other benefits	1,660	1,048
Retirement benefits costs	39	35
	<u>1,699</u>	<u>1,083</u>

Their emoluments were all within HK\$1,000,000.

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during both periods, no director waived any emoluments.

### 11. TAXATION

	2011 HK\$'000	2010 HK\$'000
<b>Continuing operations:</b>		
The charge comprises:		
Hong Kong Profits Tax		
– current year	39	—
– underprovision in prior years	—	10
	<u>39</u>	<u>10</u>
Deferred tax (note 27)	4,900	579
	<u>4,939</u>	<u>589</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**11. TAXATION – CONTINUED**

Hong Kong Profits Tax for the year ended 31 March 2011 was calculated at 16.5% of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2010 as the Group has no assessable profit for that year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No provision for PRC Enterprise income tax had been made as the Group had no assessable profit for both years.

Taxation for the year can be reconciled to the results per the consolidated statement of comprehensive income as follows:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Profit (loss) before taxation (from continuing operations)	<b>49,816</b>	(8,448)
Tax charge (credit) at the applicable rate of 16.5%	<b>8,219</b>	(1,394)
Tax effect of income not taxable for tax purposes	<b>(2,481)</b>	(53)
Tax effect of expenses not deductible for tax purposes	<b>623</b>	3,410
Underprovision in respect of prior years	<b>—</b>	10
Tax effect of tax losses not recognised	<b>279</b>	132
Utilisation of tax losses previously not recognised	<b>(1,707)</b>	(1,515)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>177</b>	—
Others	<b>(171)</b>	(1)
Tax charge for the year	<b>4,939</b>	589

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 12. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2011 HK\$'000	2010 HK\$'000
Profit (loss) for the year from continuing operations has been arrived at after charging:		
Directors' remuneration (note 10 (a))	2,996	2,580
Other staff costs, including retirement benefits costs	11,342	1,817
Total staff costs	<u>14,338</u>	<u>4,397</u>
Amortisation of intangible asset (included in administrative expenses)	3,126	260
Amortisation of prepaid lease payments	—	49
Auditor's remuneration	1,024	548
Cost of inventories recognised as an expense	309,487	25,856
Depreciation	500	1,530
Exchange loss, net	—	18
Loss on disposal of property, plant and equipment	3	1,807
and after crediting to other income:		
Dividend income from listed investments	153	107
Interest income	213	144
	<u><u>          </u></u>	<u><u>          </u></u>

### 13. DISCONTINUED OPERATIONS

On 22 November 2009, the directors resolved to cease the bleaching and dyeing, and knitting businesses and these businesses were ceased in December 2009. The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

During the year ended 31 March 2011, the assets classified as held for sale with carrying value of HK\$37,403,000 were disposed to People's Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC (the "Zhili Town Government") at a consideration of HK\$55,995,000, resulting in a gain on disposal amounted to HK\$18,592,000. Also, Zhili Town Government made a compensation to the Group totalling HK\$15,271,000 for change of intended use of the three parcels of land in Zhili Town (the "Repurchased Lands") disposed of. The attributable tax expense (business tax, land appreciation tax and enterprise income tax) amounted to HK\$12,475,000 in total.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**13. DISCONTINUED OPERATIONS – CONTINUED**

The profit (loss) for the year from the discontinued operation is analysed as follows:

	2011 HK\$'000	2010 HK\$'000
Loss of discontinued operation for the year	(1,205)	(9,021)
Gain on disposal of assets constituting the discontinued operation, net of tax (Note)	21,388	—
	<u>20,183</u>	<u>(9,021)</u>

Note: The gain included post-tax gain of disposal of assets classified as held for sale and compensation from Zhili Town Government.

	2011 HK\$'000	2010 HK\$'000
<b>Loss for the year from discontinued operations</b>		
Revenue from		
Bleaching and dyeing		
– sales of goods	89	17,328
– service income	—	2,838
	<u>89</u>	<u>20,166</u>
Knitting services	—	1,009
	<u>89</u>	<u>21,175</u>
Cost of sales and services	(139)	(24,311)
Gross loss	(50)	(3,136)
Other income	152	3,929
Distribution and selling expenses	—	(199)
Administrative expenses	(1,307)	(6,386)
Write back of allowance for doubtful debts	—	57
Impairment loss recognised in respect of property, plant and equipment	—	(2,654)
	<u>(1,205)</u>	<u>(8,389)</u>
Loss before taxation	(1,205)	(8,389)
Taxation	—	(632)
	<u>(1,205)</u>	<u>(9,021)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 13. DISCONTINUED OPERATIONS – CONTINUED

	2011 HK\$'000	2010 HK\$'000
Loss for the year from discontinued operations includes the following:		
Redundancy costs	—	685
Other staff costs, including retirement benefits costs	180	3,681
Total staff costs	180	4,366
Amortisation of prepaid lease payments	—	784
Auditor's remuneration	115	393
Cost of inventories recognised as an expense	139	16,249
Depreciation	115	744
Exchange loss, net	478	208
Gain on disposal of property, plant and equipment	—	(2,966)
Government grants received	—	(464)
Interest income	(39)	(19)
	<u>          </u>	<u>          </u>
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash flows from discontinued operations</b>		
Net cash flows from operating activities	14,142	30,592
Net cash flows from investing activities	44,673	16,228
Net cash flows used in financing activities	—	(43,866)
Net cash inflows	58,815	2,954
	<u>          </u>	<u>          </u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**13. DISCONTINUED OPERATIONS – CONTINUED**

The major class of assets of the bleaching and dyeing, and knitting operations at the end of the reporting period, which has been presented separately as assets classified as held for sale in the consolidated statement of financial position, is as follows:

	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
Property, plant and equipment	<b>227</b>	217
Prepaid lease payments (Note)	<b>—</b>	36,617
	<b>227</b>	36,834

Note: On 1 March 2010, the Group entered into an agreement with the Zhili Town Government for the Repurchased Lands. The Repurchased Lands were acquired several years ago as part of the Huzhou Project (see note 16).

Cost of acquiring the Repurchased Lands and the related expenditure were included in “prepaid lease payments”.

During the year ended 31 March 2011, the disposal of the Repurchased Lands was completed.

**14. BASIC EARNINGS (LOSS) PER SHARE****From continuing and discontinued operations:**

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
Profit (loss) for the purpose of earnings basic (loss) per share	<b>65,060</b>	(18,058)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>426,738,118</b>	226,569,442 (Restated)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 14. BASIC EARNINGS (LOSS) PER SHARE – CONTINUED

#### From continuing operations:

The calculation of the basic earnings (loss) per share from continuing operations attributable to owners of the Company is based on the following data:

Profit (loss) figures are calculated as follows:

	2011 HK\$'000	2010 HK\$'000
Profit (loss) for the year attributable to owners of the Company	65,060	(18,058)
Adjusted for: (Profit) loss for the year from discontinued operations	<u>(20,183)</u>	<u>9,021</u>
Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations	<u><u>44,877</u></u>	<u><u>(9,037)</u></u>
	2011	2010 (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u><u>426,738,118</u></u>	<u><u>226,569,442</u></u>

The denominator for the purpose of calculating basic loss per share for the year ended 31 March 2010 has been adjusted to reflect the bonus element of the rights issue in March 2011 on the basis of one rights share for every two ordinary shares.

No diluted earnings (loss) per share for both years is presented as there were no potential ordinary shares outstanding for both years.

#### From discontinued operation:

Basic earnings (loss) per share for the discontinued operation is HK\$0.047 (2010: HK\$(0.040)) per share, based on the profit (loss) for the year from discontinued operations of HK\$20,183,000 (2010: HK\$(9,021,000)) and the denominators detailed above for basic earnings (loss) per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**15. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS**

- (a) During the year, the Group had the following transactions with wholly-owned subsidiaries of Easyknit International Holdings Limited ("Easyknit International"):

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Sales of garments	—	999
Administrative service fee expense	—	220
Rental expense	<b>2,275</b>	213
	<u>          </u>	<u>          </u>

At the end of the reporting period, amounts due from these entities comprise:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Trade receivables	—	7,162
	<u>          </u>	<u>          </u>

Ms. Lui Yuk Chu, a director of the Company, who has significant influence in the Group through her shareholding in the Company, had 36.74% equity interest in Easyknit International at 31 March 2011 and 2010 and the Company is itself an associate of Easyknit International.

During the year ended 31 March 2010, the Group entered into an agreement with Easyknit Properties Holdings Limited for the acquisition of the entire issued share capital of three of its wholly-owned subsidiaries for a consideration of HK\$80 million. Easyknit Properties Holdings Limited, being vendor of this transaction, is a wholly-owned subsidiary of Easyknit International. Details of this transaction are set out in note 30.

- (b) During the year ended 31 March 2010, the Company entered into a consultancy agreement with Mr. Koon Wing Yee for consultancy services provided by Mr. Koon Wing Yee to the Group for a fee of HK\$498,000 per annum which shall be payable in arrears by twelve monthly instalments of HK\$41,500 each. The consultancy agreement is for a period of one year commencing on 15 January 2010 but may be terminated by either party at any time by one month's notice. Mr. Koon Wing Yee is the spouse of Ms. Lui Yuk Chu. Consultancy fee paid and payable to Mr. Koon Wing Yee during the year ended 31 March 2011 amounted to HK\$394,250 (2010: HK\$103,750). During the year ended 31 March 2011, the Company entered into an employment agreement with Mr. Koon Wing Yee to act as general manager of the Company for salary of HK\$50,000 per month.
- (c) Compensation of key management personnel

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits		
Salaries and other benefits	<b>3,813</b>	2,759
Contributions to retirement benefit schemes	<b>49</b>	25
	<u>          </u>	<u>          </u>
	<b>3,862</b>	2,784
	<u>          </u>	<u>          </u>

The remuneration of directors and key executives are determined by the remuneration committee and executive directors respectively having regard to the performance of individuals and market trends.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 16. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Construction in progress</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>						
At 1 April 2009	101,144	26,047	2,894	2,063	15,325	147,473
Additions	881	227	7	—	—	1,115
Acquired on acquisition of subsidiaries	—	—	345	796	—	1,141
Revaluation upon reclassification to investment properties	(254)	—	—	—	—	(254)
Reclassified to investment properties	(99,957)	—	—	—	—	(99,957)
Reclassified to assets classified as held for sale	—	(4,975)	(1,514)	(684)	(267)	(7,440)
Disposal	(1,814)	(21,299)	(1,309)	(158)	—	(24,580)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	—	—	423	2,017	15,058	17,498
Exchange adjustments	—	—	3	15	655	673
Additions	—	—	59	—	—	59
Disposal	—	—	(7)	—	—	(7)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2011</b>	<b>—</b>	<b>—</b>	<b>478</b>	<b>2,032</b>	<b>15,713</b>	<b>18,223</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 16. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1 April 2009	281	20,416	2,826	1,626	15,325	40,474
Exchange adjustments	1	—	—	—	—	1
Provided for the year	1,413	576	65	220	—	2,274
Impairment loss recognised						
in profit or loss	—	2,649	5	—	—	2,654
Eliminated on revaluation	(1,689)	—	—	—	—	(1,689)
Reclassified to assets classified						
as held for sale	—	(4,758)	(1,514)	(684)	(267)	(7,223)
Eliminated on disposal	(6)	(18,883)	(1,309)	(158)	—	(20,356)
At 31 March 2010	—	—	73	1,004	15,058	16,135
Exchange adjustments	—	—	3	14	451	468
Provided for the year	—	—	141	474	—	615
Reversal of impairment loss						
recognised in profit or loss	—	—	—	—	(8,777)	(8,777)
Eliminated on disposal	—	—	(4)	—	—	(4)
<b>At 31 March 2011</b>	<b>—</b>	<b>—</b>	<b>213</b>	<b>1,492</b>	<b>6,732</b>	<b>8,437</b>
<b>CARRYING VALUES</b>						
<b>At 31 March 2011</b>	<b>—</b>	<b>—</b>	<b>265</b>	<b>540</b>	<b>8,981</b>	<b>9,786</b>
At 31 March 2010	—	—	350	1,013	—	1,363

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 16. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis according to the following useful lives:

Buildings	Over the shorter of the unexpired term of lease and their estimated useful lives, being 30 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 10 years
Motor vehicles	5 to 10 years

The Company obtained the shareholders' approval for acquiring land of about 670 mu in the Huzhou City, Zhejiang Province, the PRC and the development of manufacturing operations thereon (collectively the "Huzhou Project"). Details of the Huzhou Project and its further development are set out in the circular of the Company dated 21 February 2005 and various subsequent announcements. During the year ended 31 March 2009, construction of a few blocks of buildings for intended use as factory premises and workers' dormitories was completed and cost of HK\$101,144,000 was transferred from construction in progress to buildings. However, as set out in the announcement of the Company dated 24 February 2009, the Huzhou Project was no longer viable and therefore the Group stopped further investment in the Huzhou Project. As such, the Group terminated an equipment construction contract with the counterparty. In accordance with the terms of the equipment construction contract, any deposit paid is fully refundable. Accordingly, the deposit paid amounting to RMB15,808,000 (equivalent to HK\$17,967,000) was classified as current asset at 31 March 2010 under trade and other receivables (see note 21). The amount was fully settled during the year ended 31 March 2011.

During the year ended 31 March 2010, the Group started to lease out the completed buildings for the Huzhou Project for rental income. The buildings and the corresponding prepaid lease payments were transferred to investment properties and measured at the fair value at the date of transfer accordingly. The fair value of the buildings at the date of transfer to investment properties is HK\$99,957,000. The gain on revaluation, amounting to HK\$1,435,000 was credited to the property revaluation reserve directly.

During the year ended 31 March 2011, the directors of the Company decided to resume certain construction in progress, which was previously fully impaired, for future leasing purpose. Hence the directors of the Company assessed the recoverable amount of the construction in progress which is determined based on valuation performed by independent qualified professional property valuer carried out on 31 March 2011. The valuation was arrived at by combining (a) the market value of the land portion of the properties with reference to market evidence of transaction prices for land nearby and (b) depreciated replacement cost of the buildings and structures. As a result, a reversal of impairment loss of HK\$8,777,000 has been recognised.

During the year ended 31 March 2010, the directors conducted a review of the Group's manufacturing assets used in the knitting segment, and determined that a number of these assets were impaired due to the discontinuance of operation of the knitting segment. Impairment losses of HK\$2,649,000 and HK\$5,000 have been recognised in profit or loss in respect of plant and machinery, and furniture, fixtures and equipment. The recoverable amounts of the relevant assets had been determined on the basis of fair value less costs to sell.

The bleaching and dyeing, and knitting segments ceased to operate during the year ended 31 March 2010. The relevant property, plant and equipment were reclassified as assets classified as held for sale (see note 13).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 17. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 April 2009	—
Exchange adjustments	(2)
Additions	96,822
Reclassified from property, plant and equipment	99,957
Reclassified from prepaid lease payments	57,197
Increase in fair value	<u>1,189</u>
At 31 March 2010	255,163
Exchange adjustments	7,099
Additions	961
Increase in fair value	<u>37,374</u>
At 31 March 2011	<u><u>300,597</u></u>

The carrying value of investment properties shown above comprises properties situated on:

	2011 HK\$'000	2010 HK\$'000
Land in Hong Kong		
Long lease	135,000	99,000
Land in the PRC		
Medium-term lease	<u>165,597</u>	<u>156,163</u>
	<u><u>300,597</u></u>	<u><u>255,163</u></u>

The fair values of the Group's investment properties in Hong Kong at 31 March 2011 have been arrived at on the basis of a valuation carried out on that day by Vigers Appraisal & Consulting Limited ("Vigers"), a firm of independent qualified professional property valuers not connected with the Group. Vigers is member of the Hong Kong Institute of Surveyors. The valuation of investment properties in Hong Kong was arrived at by reference to market evidence of recent transaction prices for similar properties.

The fair values of the Group's investment properties in the PRC at 31 March 2011 have been arrived at on the basis of a valuation carried out on that day by Vigers. The valuation of the investment properties in the PRC was arrived at by combining (a) the market value of the land portion of the properties with reference to market evidence of transaction prices for land nearby and (b) depreciated replacement cost of the buildings and structures.

All of the Group's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 18. GOODWILL

	HK\$'000
COST	
At 1 April 2009	—
Arising on acquisition of subsidiaries (note 30)	<u>39,313</u>
At 31 March 2010 and 31 March 2011	<u><u>39,313</u></u>

For the purpose of impairment testing during the year ended 31 March 2011, goodwill set out above has been allocated to a cash-generating unit ("CGU") in garment sourcing and exporting. During the year ended 31 March 2011, the management of the Group assessed the recoverable amount of the CGU with reference to the value in use and determined that no impairment was required.

The recoverable amount has been determined based on a value in use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a 1-year period and a discount rate of 8% (2010: 13%). Cash flows beyond the 1-year period has been extrapolated using a zero (2010: 3%) growth rate. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the CGU's past performance and management's expectations for the market development. Management of the Group determined that there was no impairment of goodwill allocated to the CGU.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**19. INTANGIBLE ASSET**

	<b>Customer relationship</b> HK\$'000
<b>COST</b>	
At 1 April 2009	—
Acquisition of subsidiaries (note 30)	25,000
	<hr/>
At 31 March 2010 and at 31 March 2011	25,000
	<hr/>
<b>AMORTISATION</b>	
At 1 April 2009	—
Charge for the year	260
	<hr/>
At 31 March 2010	260
Charge for the year	3,126
	<hr/>
At 31 March 2011	3,386
	<hr/>
<b>CARRYING VALUES</b>	
At 31 March 2011	21,614
	<hr/> <hr/>
At 31 March 2010	24,740
	<hr/> <hr/>

The customer relationship has a finite useful life and is amortised on a straight-line basis over 8 years. The useful life of the customer relationship is determined with reference to the estimated future revenue from the customer relationship with a customer attrition rate of 5% which is based on historical customer turnover information. The management is of the view that the future economic benefits that can be derived from the customer relationship beyond the 8-year period are insignificant.

The fair value of the customer relationship at the date of business combination was measured using a form of the excess earnings method under the income approach. This calculation is based on the present value of the incremental after-tax cash flows attributable to the customer relationship and a discount rate of 13%. The annual cash flow is calculated by reference to the latest applicable annual revenue from existing customers with an attrition rate of 5% and has been extrapolated using 3% growth rate. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The recoverable amount of the CGU of which the intangible asset is attached to has been determined based on a value in use calculation, details are set out in note 18.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 20. INVENTORIES

	2011 HK\$'000	2010 HK\$'000
Raw materials	6,155	11
Finished goods	—	264
	<u>6,155</u>	<u>275</u>

### 21. TRADE AND OTHER RECEIVABLES

	2011 HK\$'000	2010 HK\$'000
Trade receivables	29,089	14,019
Less: Allowance for doubtful debts	—	—
	<u>29,089</u>	14,019
Prepayments	1,080	449
Refundable deposit in respect of construction of property, plant and equipment (see note 16)	—	17,967
Other receivables	6,197	537
Deposits paid to suppliers to be realised within 1 year	20,347	—
Receivable from disposal of assets classified as held for sale to be realised within 1 year	7,912	—
	<u>64,625</u>	<u>32,972</u>

The Group allows an average credit period of up to 90 days to its customers. The aged analysis of trade receivables, based on the invoice date, at the end of the reporting period is as follows:

	2011 HK\$'000	2010 HK\$'000
0 - 60 days	26,273	6,417
61 - 90 days	975	929
Over 90 days	1,841	6,673
	<u>29,089</u>	<u>14,019</u>

The management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired to be of a good credit quality.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**21. TRADE AND OTHER RECEIVABLES – CONTINUED**

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$1,998,000 (2010: HK\$7,892,000) which are past due at the reporting date for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Over due by 1 to 60 days	<b>978</b>	3,888
Over due by 61 to 90 days	<b>538</b>	392
Over due by over 90 days	<b>482</b>	3,612
	<u><b>1,998</b></u>	<u>7,892</u>

Movement in the allowance for doubtful debts:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Balance at beginning of the year	—	5,038
Amounts written off as uncollectible	—	(4,981)
Amounts recovered during the year	—	(57)
	<u>—</u>	<u>—</u>
Balance at end of the year	<u><b>—</b></u>	<u>—</u>

Based on the historical experience of the Group, trade receivables that are past due are generally recoverable and as a result, no allowance was made for trade receivables at the end of the reporting period.

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
USD	<u><b>28,788</b></u>	<u>8,306</u>
RMB	<u><b>3</b></u>	<u>568</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 22. BILLS RECEIVABLE

The Group's bills receivable that was denominated in a currency other than the functional currencies of the relevant group entities was set out below:

	2011 HK\$'000	2010 HK\$'000
USD	—	26,266

### 23. INVESTMENTS HELD FOR TRADING

The investments held for trading comprise equity securities listed in Hong Kong and are stated at fair value which are based on the quoted market bid prices on the Stock Exchange.

### 24. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year ended 31 March 2011, the Group acquired certain equity linked investments with financial institutions in Hong Kong. The equity linked investments contained embedded derivative, the return of which was determined with reference to the closing price of two equity securities listed in Hong Kong. The equity linked investments are designated as fair value through profit or loss at initial recognition. The principal amount was HK\$20,000,000 (2010: nil) with fixed coupon interest rates and remaining time to maturity ranging from three to four months. The notes contain terms enabling the issuers either to deliver the underlying equity securities on maturity if the market prices of underlying securities are lower than their respective predetermined reference stock prices or cash settlement of the principal and interest if market prices of the underlying securities are higher than their respective predetermined reference stock prices. The notes are subject to the option for early termination at the discretion of holders.

At 31 March 2011, the equity linked investments were stated at fair value based on valuation provided by the counterparty financial institutions for equivalent instruments. Subsequent to the reporting period, all of these equity linked investments were early terminated in cash by the Group and principal together with interests were received.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**25. BANK BALANCES AND CASH**

The bank balances and cash held by the Group comprise short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.001% to 2.6% (2010: 0.001% to 1%) per annum.

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

	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
HKD	<u>28</u>	<u>258</u>
RMB	<u>7</u>	<u>3,431</u>
USD	<u>6,567</u>	<u>25,209</u>

**26. TRADE AND OTHER PAYABLES**

The aged analysis of trade payables, based on the invoice date, at the end of the reporting period is as follows:

	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
0 - 60 days	<b>18,697</b>	18,861
61 - 90 days	—	11
Over 90 days	<u>155</u>	<u>228</u>
Trade payables	<b>18,852</b>	19,100
Rental deposits received and rental received in advance	<b>2,322</b>	1,214
Accruals	<b>7,463</b>	8,187
Deposit received for disposal of the Repurchased Lands (see note 13)	—	3,410
Other tax payable	<b>5,910</b>	—
Other payables	<u>1,582</u>	<u>1,944</u>
	<u><b>36,129</b></u>	<u>33,855</u>

The average credit period on purchases of goods is 30 days.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 26. TRADE AND OTHER PAYABLES – CONTINUED

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

	2011 HK\$'000	2010 HK\$'000
USD	114	107
RMB	1,109	731

### 27. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011 HK\$'000	2010 HK\$'000
Deferred tax assets	335	149
Deferred tax liabilities	(24,091)	(18,394)
	(23,756)	(18,245)

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

	Revaluation of properties HK\$'000	Intangible asset HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2009	—	—	—	—
Acquisition of subsidiaries	—	(4,125)	—	(4,125)
Charge to other comprehensive income for the year	(13,541)	—	—	(13,541)
(Charge) credit to profit or loss for the year	(771)	43	149	(579)
At 31 March 2010	(14,312)	(4,082)	149	(18,245)
Exchange adjustments	(611)	—	—	(611)
(Charge) credit to profit or loss for the year	(5,602)	516	186	(4,900)
<b>At 31 March 2011</b>	<b>(20,525)</b>	<b>(3,566)</b>	<b>335</b>	<b>(23,756)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**27. DEFERRED TAXATION – CONTINUED**

At 31 March 2011, tax losses not recognised in the consolidated financial statements were HK\$16,556,000 (2010: HK\$25,212,000). The losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such deductible temporary differences due to the unpredictability of future profit streams.

**28. SHARE CAPITAL**

	Notes	Nominal value per share HK\$	Number of shares	Amount HK\$'000
<b>Authorised:</b>				
At 31 March 2010 and 31 March 2011		0.01	20,000,000,000	200,000
<b>Issued and fully paid:</b>				
At 1 April 2009		0.01	734,248,900	7,342
Reduction of share capital	(a)(i)		—	(6,608)
Consolidation of shares	(a)(ii)	0.001	734,248,900 (660,824,010)	734 —
Rights issue of shares	(b)	0.01	73,424,890 293,699,560	734 2,937
At 31 March 2010		0.01	367,124,450	3,671
Rights issue of shares	(c)	0.01	183,562,225	1,836
<b>At 31 March 2011</b>		<b>0.01</b>	<b>550,686,675</b>	<b>5,507</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 28. SHARE CAPITAL – CONTINUED

Notes:

- (a) As announced by the Company on 25 August 2009, the Company proposed to effect (i) reduction of the nominal value of each issued share from HK\$0.01 each to HK\$0.001 each by cancelling HK\$0.009 paid up share capital for each share in issue (“2009 Issued Capital Reduction”); (ii) a share consolidation pursuant to which every ten issued and unissued then existing shares of HK\$0.001 each were consolidated into one consolidated share of HK\$0.01 each; (iii) reduction of the entire amount standing to the credit of the share premium account of the Company to nil (“Share Premium Reduction”); (iv) transfer of credit amount arising from the 2009 Issued Capital Reduction and Share Premium Reduction to the contributed surplus account of the Company, and the application of the appropriate amounts therein to set off against part of accumulated losses of the Company. The above are collectively referred to the “2009 Capital Reorganisation”. Details of the 2009 Capital Reorganisation are set out, inter alia, in the circular of the Company dated 11 September 2009. A special resolution approving the 2009 Capital Reorganisation was passed at the special general meeting of the Company held on 13 October 2009. The 2009 Capital Reorganisation became effective on 14 October 2009.
- (b) On 3 November 2009, the Company allotted 293,699,560 rights shares of HK\$0.01 each at the subscription price of HK\$0.38 per rights share on the basis of four rights share for every existing ordinary share held. The Company raised HK\$110,837,000 (net of expenses) with the intention at the time of rights issue to finance potential property acquisitions and for general working capital use.
- (c) On 2 March 2011, the Company allotted 183,562,225 rights shares of HK\$0.01 each at the subscription price of HK\$0.35 per rights share on the basis of one rights share for every two existing ordinary share held. The Company raised HK\$63,808,000 (net of expenses) with the intention at the time of rights issue to finance potential property acquisitions and for general working capital use.

All shares issued during the year ended 31 March 2010 and 31 March 2011 rank *pari passu* with the then existing shares in issue in all respects.

### 29. SHARE OPTION SCHEME

On 6 June 2002, a share option scheme (the “Share Option Scheme”) was approved by the shareholders of the Company. Under the terms of the Share Option Scheme, the board of directors of the Company may, at its absolute discretion, offer options to any employee (full-time and part-time), director, supplier, consultant or advisor of any member of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The Share Option Scheme is valid during the period of 10 years commencing 6 June 2002, unless otherwise cancelled or amended.

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentives to eligible participants and to promote the success of the business of the Company and its subsidiaries.

The maximum number of shares which may be issued under the Share Option Scheme must not (when aggregate with any shares to be issued under any other share option schemes of the Company) exceed 10% of the shares in issue at the date of adoption of the Share Option Scheme.

The maximum number of shares issuable upon the exercise of the share options granted to each eligible participant of the Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting of the Company with such grantee and his associate(s) abstaining from voting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**29. SHARE OPTION SCHEME – CONTINUED**

The exercise period of the share options is determined by the board of directors of the Company and shall end on a date which is not later than 10 years from the date of grant of the options. There is no specific requirement under the Share Option Scheme that an option must be held for any minimum period before it can be exercised, but its terms provide that the board of directors of the Company has the discretion to impose a minimum period at the time of offer of any particular option. The offer of a grant of share options may be accepted within 14 days from the date of the offer, with the payment of a nominal consideration of HK\$1 in total by the offeree.

The exercise price in respect of any particular option of the Share Option Scheme may be determined by the board of directors of the Company in its absolute discretion and notified to each offeree but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets on the date of offer, which must be a business day; (ii) the average closing price of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares on the date of offer.

No share options were granted or exercised during the year ended 31 March 2011 and 31 March 2010.

**30. ACQUISITION OF SUBSIDIARIES**

As referred to in note 15(a) and set out in the circular of the Company dated 29 January 2010, the Group entered into an agreement with Easyknit Properties Holdings Limited, a wholly-owned subsidiary of Easyknit International, to acquire the entire issued share capital of each of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited (collectively the "Garment Trading Companies"), which are principally engaged in garment sourcing and exporting.

The transaction was completed on 1 March 2010 for a consideration of HK\$80,000,000 satisfied by cash. The acquisition had been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK39,313,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 30. ACQUISITION OF SUBSIDIARIES – CONTINUED

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	<b>Garment Trading Companies' carrying amount before combination</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Property, plant and equipment	1,141	—	1,141
Intangible asset	—	25,000	25,000
Trade and other receivables	12,521	—	12,521
Bills receivable	26,115	—	26,115
Bank balances and cash	415	—	415
Trade and other payables	(16,440)	—	(16,440)
Bills payable	(1,033)	—	(1,033)
Deferred tax liabilities	—	(4,125)	(4,125)
	<u>22,719</u>	<u>20,875</u>	43,594
Goodwill			<u>39,313</u>
			<u>82,907</u>
Represented by:			
Consideration, satisfied by cash			80,000
Direct expenses			2,907
			<u>82,907</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(82,907)
Cash and cash equivalents acquired			415
			<u>(82,492)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**30. ACQUISITION OF SUBSIDIARIES – CONTINUED**

The goodwill arising on acquisition is attributable to the anticipated future operating profits and growth of the business of the Garment Trading Companies after the business combination is consummated.

The Garment Trading Companies contributed a profit of HK\$331,000 to the Group's loss for the period between the date of acquisition and 31 March 2010.

If the acquisition has been completed on 1 April 2009, total group revenue for the year ended 31 March 2010 would have been HK\$401,686,000 and loss for the year ended 31 March 2010 would have been HK\$9,165,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

**31. CAPITAL COMMITMENTS**

	2011 HK\$'000	2010 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>1,344</u>	<u>2,142</u>

**32. OPERATING LEASE ARRANGEMENTS****The Group as lessee**

	2011 HK\$'000	2010 HK\$'000
Minimum lease payments recognised in profit or loss during the year	<u>2,523</u>	<u>1,904</u>

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

	2011 HK\$'000	2010 HK\$'000
Within one year	<u>207</u>	<u>230</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for lease terms ranging from one to two years.

Under the leases entered into by the Group, the lease payments are fixed and no arrangements have been entered into for contingent rental payments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 32. OPERATING LEASE ARRANGEMENTS – CONTINUED

#### The Group as lessor

	2011 HK\$'000	2010 HK\$'000
Property rental income earned during the year	5,292	2,322
Less: Outgoings	—	—
Net rental income	<u>5,292</u>	<u>2,322</u>

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011 HK\$'000	2010 HK\$'000
Within one year	3,866	3,246
In the second to fifth year inclusive	4,655	1,484
	<u>8,521</u>	<u>4,730</u>

Under the leases entered into by the Group, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. The properties held have committed tenants for terms of one to two years.

### 33. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

**33. RETIREMENT BENEFITS SCHEMES – CONTINUED**

There were no forfeited contributions utilised to offset employers' contributions for the year. The employers' contributions which have been dealt with in the consolidated statement of comprehensive income were as follows:

	2011 HK\$'000	2010 HK\$'000
Employers' contributions recognised in profit or loss	<u>470</u>	<u>260</u>

At the end of the reporting period, there were no forfeited contributions available to reduce the contributions payable in the future years.

**34. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

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

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share capital/ paid-up registered capital/ stated capital	Proportion of nominal value of issued share capital/ paid-up registered capital/ stated capital indirectly held by the Company		Principal activities
			2011	2010	
Chancemore Limited	British Virgin Islands	Ordinary US \$1	100%	100%	Property investment
Clever Wise Holdings Limited	British Virgin Islands	Ordinary US \$1	100%	100%	Property investment
Gainever Corporation Limited	Hong Kong	Ordinary HK \$2	100%	100%	Trading of securities
Grand Profit Development Limited	Hong Kong	Ordinary HK \$2	100%	100%	Trading of garments
Easyknit Global Company Limited	Hong Kong	Ordinary HK \$2	100%	100%	Trading of garments
永義製衣(湖州)有限公司 ("Huzhou Garment") *	PRC	Registered US\$14,634,274	100%	100%	Property investment

\* Huzhou Garment is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 14 December 2054.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 March 2011 or 31 March 2010.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011 HK\$'000	2010 HK\$'000
Non-current assets		
Interests in subsidiaries	430,140	362,885
Current assets		
Other receivables	136	144
Bank balances	91,912	94,557
	92,048	94,701
Current liabilities		
Other payables	2,468	3,044
Net current assets	89,580	91,657
Net assets	519,720	454,542
Capital and reserves		
Share capital	5,507	3,671
Reserves	514,213	450,871
	519,720	454,542

## FINANCIAL SUMMARY

## RESULTS

	Year ended 31 March				2011 HK\$'000
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	
Turnover	75,964	74,923	59,960	52,385	348,081
(Loss) profit before taxation	(9,909)	(14,979)	(46,205)	(16,837)	69,999
Taxation	(1,572)	(2,832)	(1,252)	(1,221)	(4,939)
(Loss) profit for the year and attributable to owners of the Company	(11,481)	(17,811)	(47,457)	(18,058)	65,060

## ASSETS AND LIABILITIES

	At 31 March				2011 HK\$'000
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	
Total assets	204,879	333,349	388,119	548,793	702,005
Total liabilities	(36,245)	(66,384)	(31,539)	(58,810)	(73,643)
	168,634	266,965	356,580	489,983	628,362
Equity attributable to owners of the Company	168,634	266,965	356,580	489,983	628,362

## SUMMARY OF PROPERTIES

AT 31 MARCH 2011

### INVESTMENT PROPERTIES

<b>Location</b>	<b>Purpose</b>	<b>Approximate gross floor/ saleable area (sq.ft.)</b>	<b>Lease term</b>
1. Ground Floor No.148 Johnston Road Wanchai Hong Kong	Commercial	580	Long
2. Ground Floor and Cockloft No.13 Matheson Street Causeway Bay Hong Kong	Commercial	1,232	Long
3. Two parcels of land at an industrial site located at the South of Hengtang Harbour, the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the People's Republic of China, total six building blocks had been built	Industrial	1,805,534	Medium