VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司
stock code 股份代號：539

ANNUAL 年 REPORT 報 2013

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China CITIC Bank International Limited
China Construction Bank (Jiangmen Xinhui Sub-branch)
Bank of China (Jiangmen Xinhui Sub-branch)
Bank of America, N.A.
United Overseas Bank Limited
Rabobank International
Wing Lung Bank Limited
Cathay United Bank Company, Limited
Citibank, N.A.
Chinatrust Commercial Bank, Ltd.
Australia and New Zealand Banking Group Limited
Wing Hang Bank, Limited
DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY WEBSITE

www.victorycity.com.hk

FINANCIAL HIGHLIGHTS AND SUMMARY

RESULTS

	Year ended 31 March				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Revenue	4,090,493	3,863,612	4,047,705	3,835,261	**4,085,368**
Profit before tax	258,032	369,901	369,983	373,642	**231,327**
Income tax expense	(17,120)	(32,325)	(21,765)	(26,509)	**(23,512)**
Profit for the year	240,912	337,576	348,218	347,133	**207,815**
Attributable to:					
Owners of the Company	216,865	314,627	334,015	341,249	**205,767**
Non-controlling interests	24,047	22,949	14,203	5,884	**2,048**
	240,912	337,576	348,218	347,133	**207,815**
Distributions	–	21,210	78,938	96,986	**70,436**

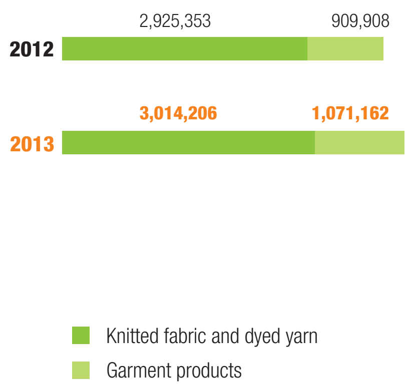
ASSETS AND LIABILITIES

	At 31 March				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	5,396,052	5,704,997	6,494,536	7,244,923	**8,555,645**
Total liabilities	(2,523,838)	(2,484,945)	(2,513,218)	(2,586,485)	**(3,644,441)**
	2,872,214	3,220,052	3,981,318	4,658,438	**4,911,204**
Equity attributable to:					
Owners of the Company	2,729,883	3,077,840	3,757,446	4,421,909	**4,661,973**
Non-controlling interests	142,331	142,212	223,872	236,529	**249,231**
	2,872,214	3,220,052	3,981,318	4,658,438	**4,911,204**

Financial Highlights and Summary

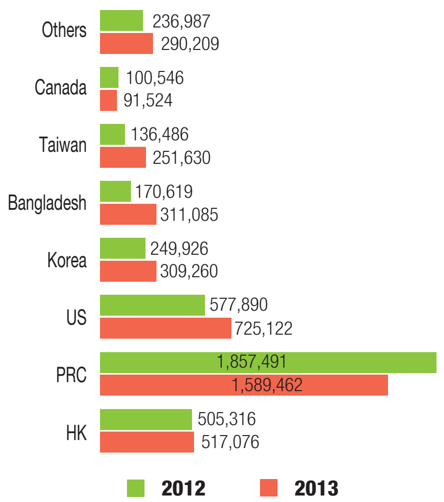
REVENUE BY BUSINESS SEGMENTS

HK$'000

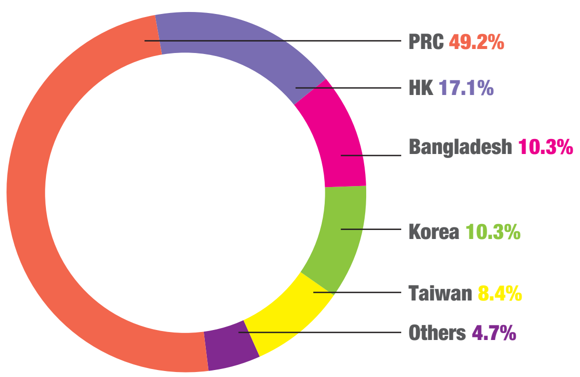


REVENUE BY GEOGRAPHICAL SEGMENTS

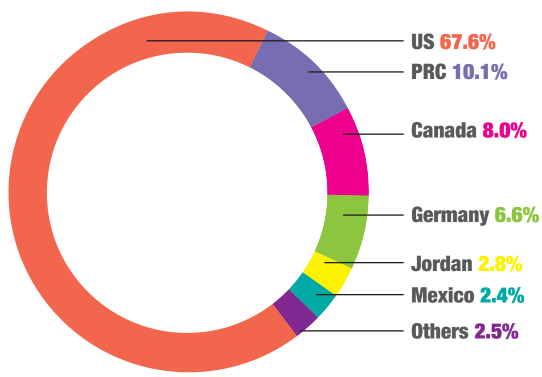
HK$'000



KNITTED FABRIC AND DYED YARN



GARMENT PRODUCTS



CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Victory City International Holdings Limited (the "Company") and its subsidiary companies (the "Group"), I am pleased to present the annual results for the year ended 31 March 2013.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK2.5 cents per share of HK$0.01 each of the Company (each a "Share") in respect of the year ended 31 March 2013 to shareholders of the Company ("Shareholder") whose names appear on the register of members of the Company on 6 September 2013 and also to recommend the offer to the Shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (the "Scrip Dividend Scheme"), subject to the approval of the Shareholders on the payment of final dividend at the annual general meeting ("AGM") of the Company and the granting by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of, and permission to deal in, the Shares to be issued pursuant thereto.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31 March 2013.

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

BUSINESS REVIEW

During the reporting period, the pace of economic recovery in the United States of America ("US"), remained slow, and similarly the prolonged economic crisis in Europe impacted the export market adversely. On the other hand, the gross domestic product of the People's Republic of China ("PRC") decelerated for seven consecutive quarters until September 2012, causing a slowdown in the Chinese textile and garment market. Facing such weak demand in export and domestic markets, together with the rising costs in the PRC, the operating environment for textile and garment manufacturing was noticeably difficult. The Group was no exception. A decline in the average selling price (the "ASP") of the Group's products was recorded for the reporting period. Yet with the Group's proven track record in the industry, as well as the adjustable and flexible pricing strategy, the Group was able to explore opportunities in such dire marketing conditions and capture an even greater market share, bringing an encouraging revenue growth during this challenging time.

For the year ended 31 March 2013, the consolidated revenue of the Group was approximately HK$4,085 million, representing a growth of approximately 6.5% in comparison to the previous fiscal year (2012: HK$3,835 million). Gross profit was approximately HK$751 million, representing an increase of approximately 4.9% from the previous year (2012: HK$716 million). Profit attributable to owners of the Company for the year amounted to approximately HK$206 million, which included share option expenses of approximately HK$40 million, net gain on fair value changes of derivative financial instruments of approximately HK$24 million, net gain on fair value change of a restricted bank deposit of approximately HK$1 million and net gain on fair value change of an investment property of approximately HK$1 million. For the previous fiscal year, profit attributable to owners of the Company was approximately HK$341 million, which included net gain on bargain purchase of acquisition of subsidiaries of approximately HK$83 million, net gain on fair value changes of derivative financial instruments and structured borrowings of approximately HK$11 million, share option expenses of approximately HK$11 million and net gain on fair value change of an investment property of approximately HK$1 million. Hence, profit from normal operations for the year ended 31 March 2013 was approximately HK$215 million after adjusting the above-mentioned non-operating gains and losses, representing a decrease of approximately 14.3% from the previous year (2012: HK$251 million). Earnings per share was HK13.1 cents (2012: HK24.1 cents).

Textile Business

Production and sales of knitted fabric and dyed yarn are the Group's principal operations, accounted for approximately 74% of the Group's consolidated revenue for the year ended 31 March 2013. The remaining of approximately 26% was from the garment business.

Chairman's Statement

For the knitted fabric and dyed yarn business, sales from the domestic market significantly diminished whilst orders from overseas have gradually improved in the second half of the fiscal year. The ASP of the Group's knitted fabric and dyed yarn products decreased by approximately 8% year-on-year. It was mainly due to the significant fall of cotton price as compared with the year earlier which unfavorably influenced the pricing of the Group's products. Since the cotton price remained steadily low during the year, the Group has adopted a flexible pricing strategy to expand further its market share. More importantly, the Group's scale production capability, quality products and timely delivery have won customers' confidence in placing orders. The rise in order quantity has totally offset the decrease in ASP, thus achieving a revenue growth for the year. Increase in production volume also led to economies of scale that effectively averaged down the Group's production overheads. This has mitigated the negative impact on margins brought forth by the ASP cut.

The Group is one of the leading knitted textile and garment manufacturers in the world with a vertically integrated production from yarn spinning, yarn dyeing, fabric manufacturing as well as garment manufacturing and retail business. Due to the fact that the yarn spinning operation was under cost pressure when sourcing a certain amount of cotton from the local market (where the price is significantly higher than overseas market) during the reporting period, the synergy of this upstream operation has not yet unveiled. As the cotton price gap between domestic and overseas market narrows, this integrated production is expected to create greater value in the long run and enhance the profitability of the Group.

The Group's main production site for yarn dyeing and fabric manufacturing is located in Xinhui, Guangdong, the PRC (the "Xinhui Plant"). Foreseeing that the national environmental regulations would become tougher in the last decade, the Group has invested a vast amount in building eco-friendly production procedures (such as heat recycling, energy saving and low carbon manufacturing) and waste water treatment and recycle facilities in the Xinhui Plant. In 2011, the Group's environment management system in Xinhui Plant was certified with GB/T 24001-2004/ISO 14001:2004 Standard by China Great Wall Quality Assurance Centre. Besides, the Group is a member of Low Carbon Industry and Energy Saving Association in Jiangmen, Guangdong (江門市低碳產業與節能協會), promoting the importance and benefits of reducing carbon emissions in production. Recently in April 2013, the Group has been accredited as a Clean Manufacturing Enterprise in Guangdong (廣東省清潔生產企業) by the local government. The management believes that implementing environmentally sustainable practices helps the Group in minimizing waste, boosting efficiency, and retaining competitiveness, thus remaining strong in the ongoing market consolidation.

Garment Business

For the year ended 31 March 2013, revenue generated from the Group's garment arm, Ford Glory Group Holdings Limited ("FGG") increased by approximately 17.7% to approximately HK$ 1,071 million (2012: HK$ 910 million), accounted for approximately 26.2% of the Group's overall revenue. The increase in revenue was mainly attributable to the contribution from the Group's new production base in Jordan acquired in March 2012 and the expansion of the Group's production base in Cambodia, in addition to its existing production bases in Indonesia and the PRC. Competitive advantages are gained from these two countries because Jordan allows import labour while Cambodia offers abundant labour supply at lower costs as compared with that of the PRC. Garments manufactured in these two countries also enjoy export duty free to some of the Group's core overseas markets, namely the US, Canada and the European Union. The strength of its self-managed production bases in the PRC, Indonesia, Cambodia and Jordan enables the Group to execute its strategic initiatives to serve reputable brand names in different countries having considered their respective competitive advantages.

In addition to its own production bases, the Group continues to function as a platform of a one-stop sourcing management supplier to both global and domestic customers, providing value-added services ranging from outsourcing, product design and development, sampling and logistic arrangement. As a whole, combining the strength of own production bases and out-sourcing capabilities, the Group serves to fulfill different customers' need in terms of pricing, lead time and workmanship requirement. Flexibility is also achieved from the ability in switching orders fulfillment among different countries in case of unforeseen necessity.

New Development – Resin Business

The Group has been looking for various investment opportunities to enhance its Shareholder's value with disciplined capital investment. In 2012, the Group decided to venture into the resin manufacturing business by making use of its existing relevant licenses and certain infra-structure facilities in the Xinhui Plant, such as chemical mixing plant, coal-fired generators, waste water treatment and recycle facilities. Resin is a dominant solvent for artificial marble filling and bonding. In view of the shortage of resin supply for artificial marble manufacturing in the PRC, the Group has started to build its sales networks since late 2012 and has successfully garnered a good customer base and order book. As of 31 March 2013, approximately HK$250 million was spent to build and furnish a new resin plant in the Xinhui Plant with a maximum monthly capacity of 10,000 tons. The resin plant has been accredited as a "High-Tech Enterprise" by the local government and trial production was commenced in March 2013. The revenue contribution from this new business for the reporting period was minimal but it is expected to bring full year impact in the coming fiscal year. Besides, the resin operations will leverage down the overall production costs of the Xinhui Plant by sharing all the facilities on site, hence benefiting the overall margin of the Group.

Chairman's Statement

PROSPECTS

The coming fiscal year will again be full of challenges and opportunities, amid the global uncertainties. In spite of the slowdown in the export value in 2012, the PRC's textile and garment industry has already showed signs of gradual rebound in the first half of 2013. This is well supported by Chinese Customs Statistics: the export value of the PRC's textile products and garment products amounted to approximately US$47.9 billion and US$32.2 billion for the first four months ended 30 April 2013, representing an increase of about 20% and 12% over the same period last year, respectively. The Group believes that the gradual economic recovery in the US would ultimately lift consumer sentiment.

As the industry consolidation continues, the Group as a major textile and garment operator with strong proven track record sees huge opportunities. The outlook for the textile and garment sectors in short term is expected to be hinged on the ongoing market consolidation, order flow and sales volume. The recovery of the US economy has started to reflect in the Group's order book since the fourth quarter of 2012. Given the Group's reputation in timely delivery of quality products in large quantity, its strategic locations of offshore manufacturing plants and its full compliance of the increasingly stringent environmental regulations, the Group is confident to capture more market share and has achieved progressive growth since the beginning of 2013. To meet the enhancing customers' demand, the Group decided to lift its production capacity of knitted fabric by 20% by the end of 2013 as part of the plan to accelerate the expansion of the textile business.

Apart from the existing textile and garment businesses, the Group is well prepared for the new venture of resin manufacturing. Following the trial production commenced in the first quarter of 2013, the Group has already scheduled to gradually increase the production capacity in line with the growing demand for resin in the PRC. Supported by a secured order book and extensive client base, significant contribution from the resin business is expected in the near future.

While the Group believes the global macroeconomic challenge and uncertainty will continue in the coming years, the strength of its prominent position in the textile industry as a result of the continuous suppliers consolidation as well as sustainable capability derived from its environment conscious infra-structure facilities, enables the Group to continue to drive its long term growth. Coupled with the new business stream of resin manufacturing, the Group expects to deliver enhanced and improved financial return to its Shareholders.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude towards our management and staff for their dedication and relentless efforts over the past year. And I also extend my appreciation to our customers, suppliers, business partners and Shareholders for their continuous support to the Group. We will continue to reinforce its development strategy for sustainable growth and to generate better returns for our Shareholders.

Li Ming Hung
Chairman

Hong Kong
28 June 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2013 increased by approximately 6.5% to approximately HK$4,085 million. Revenue of production and sale of knitted fabric and dyed yarn increased slightly by approximately 3.0% to approximately HK$3,014 million, representing approximately 73.8% of the consolidated revenue whereas revenue of garment sourcing, manufacturing and exporting business was approximately HK$1,071 million, increased by approximately 17.7% as compared with last year and representing approximately 26.2% of the consolidated revenue.

During the year under review, the cotton price remained steadily low, this affected the selling price of the Group's knitted fabric and dyed yarn products. Fortunately, the rise in order quantity especially since the second half of the financial year led to the growth in total revenue of the Group and mitigated the adverse impact on margins. Gross profit margin for the Group was approximately 18.4% as compared with approximately 18.7% of the previous year.

Other income mainly composed of interest income of approximately HK$34.5 million (2012: HK$9.9 million).

Other gains and losses mainly composed of the fair value changes of derivative financial instruments. For the year ended 31 March 2013, there was a net gain of approximately HK$24.0 million (2012: HK$16.2 million).

Management Discussion and Analysis

Administrative expenses increased from approximately HK$313.9 million in 2012 to approximately HK$348.1 million in 2013 mainly due to full year impact of operating expenses of the factories in Nanjing, Cambodia and Jordan, which were established or acquired in 2012.

Finance costs increased from approximately HK$64.2 million in 2012 to approximately HK$102.8 million in 2013, mainly due to the increase in interest rates of both local and PRC banks and increase in bank borrowings of the Group. On the other hand, increased bank balances and cash generated interest income of approximately HK$34.5 million which offset the increase in interest expenses. The Group has tried its best endeavour in obtaining favourable banking facilities with its bankers so as to reduce its finance costs.

Liquidity and Financial Resources

As at 31 March 2013, the Group had total assets of approximately HK$8,556 million (2012: HK$7,245 million) which were financed by current liabilities of approximately HK$2,534 million (2012: HK$2,013 million), long term liabilities of approximately HK$1,111 million (2012: HK$573 million) and shareholders' equity of approximately HK$4,662 million (2012: HK$4,422 million). The current ratio was approximately 2.1 (2012: 2.1) and the gearing ratio, being defined as net debt (representing by total bank borrowings net of cash and cash equivalents) to shareholders' funds was approximately 22.0% (2012: 19.4%). All of the Group's borrowings were at floating rate basis.

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

Foreign Exchange and Interest Rate Risks

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

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

Management Discussion and Analysis

Capital Expenditure

During the year, the Group invested approximately HK$417 million on additions to property, plant and equipment.

As at 31 March 2013, the Group had capital commitments of approximately HK$85 million in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

Charges on Assets

As at 31 March 2013, certain property, plant and equipment, prepaid lease payments and investment property of the Group with net book value of approximately HK$413 million (2012: HK$422 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2013, the total number of employees of the Group were approximately 930 in Cambodia, approximately 1,080 in Jordan, approximately 1,070 in Indonesia, approximately 5,930 in the PRC and approximately 180 in Hong Kong, Macau and other places. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

Major Customers and Suppliers

For the year under review, sales to the five largest customers of the Group accounted for approximately 19.3% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 4.5%.

Purchase from the five largest suppliers of the Group accounted for approximately 13.4% of the total purchases for the year and purchase from the largest supplier included therein accounted for approximately 3.5%.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Ming Hung, aged 62, is the Chairman of the Company and a co-founder of the Group. He has over 36 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group. Mr. Li is currently a non-executive director of FGG, a subsidiary of the Company listed on the Main Board of the Stock Exchange.

Mr. Chen Tien Tui, aged 64, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 34 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group. Mr. Chen is currently a non-executive director of FGG. He is an independent non-executive director of China Lilang Limited which is a company listed on the Main Board of the Stock Exchange.

Mr. Lee Yuen Chiu, **Andy**, aged 48, is an executive Director. He has over 27 years experience in the textile industry and is responsible for the overall management of the sales and production of the Group. Mr. Lee joined the Group in 1997.

Mr. Choi Lin Hung, aged 51, is an executive Director. He holds a Master in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr. Choi has over 9 years banking experience and 6 years management experience in garment and textile industry. Mr. Choi is currently the Chairman, Chief Executive Officer and an executive director of FGG.

Profiles of Directors and Senior Management

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 62, graduated from The University of Hong Kong and is a qualified accountant. He is an independent non-executive director of Easyknit Enterprises Holdings Limited, which is a company listed on the Main Board of the Stock Exchange. Mr. Kan has extensive experience in corporate finance, treasury and accounting and has over 30 years experience at management level in listed companies. Mr. Kan joined the Group in 1996.

Mr. Phaisalakani Vichai (Andy Hung), aged 65, graduated from Minnesota State University at Mankato, US and is a chartered accountant in Canada. He has worked for an international accounting firm for 11 years and has extensive experience in finance and corporate management with major electronics and garments corporations. Mr. Hung joined the Group in 1996.

Mr. Kwok Sze Chi, aged 58, currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers and the deputy chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators. Having served the securities industry for over 30 years, Mr. Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr. Kwok has been invited to appear on television and radio programmes to explain market trends and analyze stock market developments. He also provides professional investment analyses in newspapers and investment websites. Mr. Kwok joined the Group in 2006. Mr. Kwok is an executive director of Bright Smart Securities & Commodities Group Limited which is a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Lee Chung Shing, aged 46, is the Financial Controller and Company Secretary of the Group. Mr. Lee is also the Company Secretary of FGG. He is an associate member of the Chartered Institute of Management Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group in 1998 and has over 24 years experience in the accounting and finance sector including an international accounting firm and a company listed on the Stock Exchange.

Mr. Ng Tsze Lun, aged 58, is the Marketing Director of Ford Glory International Limited. Mr. Ng joined the Group in 2001 and has over 37 years experience in garment manufacturing and sourcing areas. Mr. Ng is responsible for overseeing the daily operation and marketing of the garment segment.

Mr. Sy Wing Shuen, aged 59, is the Sales Manager of the Group. He has over 38 years experience in the textile industry and is responsible for the sales and marketing function of the Group. Mr. Sy joined the Group in 1999.

Mr. Chan Ling Kai, aged 40, is the General Manager of Champion Fortune Asia Limited. Mr. Chan joined the Group in 2003 and is responsible for the sales and marketing function of the yarn dyeing segment. Mr. Chan is the son of Mr. Chen Tien Tui, the Chief Executive Officer of the Company.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. The principal activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 43. The Directors recommend the payment of a final dividend of HK2.5 cents per Share, in cash with a scrip dividend option to the Shareholders whose names appear on the register of members on 6 September 2013 amounting to approximately HK$41,096,000. Details of the dividends for the year are set out in note 13 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for the year ended 31 March 2013, the register of members of the Company will be closed from 4 September 2013 to 6 September 2013 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the final dividend for the year ended 31 March 2013, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on 3 September 2013.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$417,345,000 for the expansion of its business. Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2013, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$1,029,122,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

WARRANT

On 5 February 2013, 50,000,000 unlisted warrants of the Company have been placed to independent placees at an issue price of HK$0.01 per warrant with an exercise price of HK$0.89 per Share. The proceeds from the placing of unlisted warrants was HK$500,000. The exercise period is 12 months from the issue date of the warrants.

No warrant was exercised during the year ended 31 March 2013.

DIRECTORS AND SERVICE CONTRACTS

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

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

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

In accordance with bye-law 87(1) of the Company's Bye-laws (the "Bye-Laws"), Mr. Choi Lin Hung, Mr. Kan Ka Hon and Mr. Phaisalakani Vichai will retire at the forthcoming AGM and, being eligible, offer themselves for re-election. All other Directors continue in office.

Each of Mr. Kan Ka Hon and Mr. Phaisalakani Vichai, has served the Company for more than nine years as an independent non-executive Director. Pursuant to code provision A.4.3 of the code provisions ("Code Provisions") under "Corporate Governance Code" ("CG Code") contained in the Appendix 14 to the Listing Rules, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by Shareholders.

Each of Mr. Kan Ka Hon and Mr. Phaisalakani Vichai was appointed as an independent non-executive Director on 15 March 1996. Each of Mr. Kan Ka Hon and Mr. Phaisalakani Vichai has been able to fulfill all the requirements regarding independence of an independent non-executive Director and provide annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. To the best knowledge of the Directors, as at the date of this report, the Company is not aware of any matters or events that may occur and affect the independence of either Mr. Kan Ka Hon or Mr. Phaisalakani Vichai.

During their respective tenure of office, each of Mr. Kan Ka Hon and Mr. Phaisalakani Vichai had performed their respective duties as an independent non-executive Director to the satisfaction of the Board. Through exercising the scrutinising and monitoring functions of an independent non-executive Director, each of Mr. Kan Ka Hon and Mr. Phaisalakani Vichai had contributed to an upright and efficient Board for the interest of Shareholders. The Board is of the opinion that each of Mr. Kan Ka Hon and Mr. Phaisalakani Vichai remains independent notwithstanding the length of their service and believes that their valuable knowledge and experience in the Group's business and their general business acumen continue to generate significant contribution to the Board, the Company and the Shareholders as a whole.

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" in this report and note 39 to the consolidated financial statements, no contracts of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS INTERESTS OF DIRECTORS

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

CONNECTED TRANSACTIONS

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

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

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

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

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

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

In addition to the connected transactions as set out in note 39 to the consolidated financial statements, certain subsidiaries of the Group had transactions with subsidiaries of FGG which is a non-wholly owned subsidiary of the Company. These transactions are also disclosed as connected transactions in accordance with the requirements of the Listing Rules as follows:

	2013 HK$'000	2012 HK$'000
Sale of fabric	79,889	101,657
Sale of yarn	753	4,458
Supply of steam and electricity	3,713	4,131

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 March 2013, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	373,986,000 Shares (L) (Note 2)	–	23.05% (Note 28)
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.07%
	Victory City Company Limited (Note 26)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 26)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
	FGG (Note 26)	Founder of a trust	3,512,080 ordinary shares of HK$0.01 each (L) (Note 2)	–	0.80%
	FGG (Note 26)	Beneficial owner	277,360 ordinary shares of HK$0.01 each (L)	–	0.06%
Chen Tien Tui	The Company	Founder of a trust	373,986,000 Shares (L) (Note 3)	–	23.05% (Note 28)
	The Company	Beneficial owner	1,968,000 Shares (L)	–	0.12%
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.07%
	Victory City Company Limited (Note 26)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Victory City Overseas Limited (Note 26)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
	FGG (Note 26)	Founder of a trust	3,512,080 ordinary shares of HK$0.01 each (L) (Note 3)	–	0.80%
	FGG (Note 26)	Beneficial owner	309,000 ordinary shares of HK$0.01 each (L)	–	0.07%
Choi Lin Hung	The Company	Beneficial owner	8,198,000 Shares (L)	–	0.51%
	The Company	Beneficial owner	–	12,000,000 Shares (L) (Note 5)	0.74%
	Victory City Overseas Limited (Note 26)	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.2%
	FGG (Note 26)	Interest of controlled corporation	317,552,000 ordinary shares of HK$0.01 each (L) (Note 6)	–	72.48%
	Sure Strategy Limited (Note 26)	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (Note 7)	–	49%
	Ford Glory Holdings Limited (Note 26)	Interest of controlled corporation	100 shares of US$1.00 each (L) (Note 8)	–	100%
	Brilliant Fashion Inc. (Note 26)	Interest of controlled corporation	100 common shares of no par value (L) (Note 13)	–	100%
	CSG Apparel Inc. (Note 26)	Interest of controlled corporation	1 common share of CAD1.00 (L) (Note 9)	–	100%
	Ford Glory International Limited (Note 26)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (Note 14)	–	100%

Directors' Report

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Glory Time Limited (Note 26)	Interest of controlled corporation	70 ordinary shares of HK$1.00 each (L) (Note 15)	–	70%
	Mayer Apparel Limited (Note 26)	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) (Note 12)	–	51%
	PT. Victory Apparel Semarang (Note 26)	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) (Note 11)	–	100%
	Surefaith Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 14)	–	100%
	Top Star Limited (Note 26)	Interest of controlled corporation	2 ordinary shares of HK$1.00 each (L) (Note 14)	–	100%
	Top Value Inc. (Note 26)	Interest of controlled corporation	200 common shares of no par value (L) (Note 13)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 26)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 16)	–	100%
	Victory Apparel (Jordan) Manufacturing Company Limited (Note 26)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 10)	–	100%
	Wealth Choice Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 14)	–	100%
	福之源貿易(上海)有限公司 (Notes 24 and 26)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 9)	–	100%
	Gojifashion Inc. (Note 27)	Interest of controlled corporation	100 common shares of no par value (L) (Note 13)	–	50%
	Happy Noble Holdings Limited (Note 26)	Interest of controlled corporation	70 ordinary shares of US$1.00 each (L) (Note 14)	–	70%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Sky Winner Investment Limited (Note 26)	Interest of controlled corporation	100 ordinary shares of HK$1.00 each (L) (Note 17)	–	100%
	福源創業信息諮詢服務（深圳）有限公司 (Notes 25 and 26)	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) (Note 9)	–	100%
	Rocwide Limited (Note 26)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 14)	–	100%
	江門冠暉制衣有限公司 (Note 26)	Interest of controlled corporation	Registered capital of HK$31,260,000 (L) (Note 18)	–	100%
	One Sino Limited (Note 26)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 14)	–	100%
	Ford Glory (Cambodia) Manufacturing Limited (Note 26)	Interest of controlled corporation	Registered capital of US$1,000,000 (L) (Note 19)	–	100%
	藝田貿易（上海）有限公司 (Note 26)	Interest of controlled corporation	Registered capital of HK$5,000,000 (L) (Note 20)	–	100%
	Global Trend Investments Limited (Note 26)	Interest of controlled corporation	1,100,000 ordinary shares of US$1.00 each (L) (Note 10)	–	100%
	Jerash Garments and Fashions Manufacturing Company Limited (Note 26)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 21)	–	100%
	Talent Partner Holdings Limited (Note 26)	Interest of controlled corporation	51 ordinary shares of US$1.00 each (L) (Note 22)	–	51%
	Green Expert Global Limited (Note 26)	Interest of controlled corporation	1 ordinary share of US$1.00 each (L) (Note 23)	–	100%
	MT Studio Inc. (Note 26)	Interest of controlled corporation	1 common stock of no par value (L) (Note 23)	–	100%

Name of Director	The Company/name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Ford Glory Inc. (Note 26)	Interest of controlled corporation	1 ordinary share of US$0.01 each (L) (Note 23)	–	100%
	Major Time Limited (Note 26)	Interest of controlled corporation	1 ordinary share of HK$1.00 each (L) (Note 23)	–	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	5,000,000 Shares (L) (Note 5)	0.31%
Phaisalakani Vichai	The Company	Beneficial owner	512,000 Shares (L)	–	0.03%

Notes:

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

2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members.

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

4. On 2 April 2012, each of Messrs. Li Ming Hung and Chen Tien Tui was granted 1,200,000 options under the share option scheme of the Company to subscribe for 1,200,000 Shares, exercisable at a price of HK$0.782 per Share during a period from 2 April 2012 to 1 April 2017.

5. On 2 April 2012, each of Messrs. Choi Lin Hung and Lee Yuen Chiu, Andy was granted 12,000,000 and 5,000,000 options respectively under the share option scheme of the Company to subscribe for 12,000,000 Shares and 5,000,000 Shares respectively, exercisable at a price of HK$0.782 per Share during a period from 2 April 2012 to 1 April 2017.

6. These shares were held by Merlotte Enterprise Limited and Sure Strategy Limited, of which Sure Strategy Limited was owned as to 49% by Merlotte Enterprise Limited, a company wholly-owned by Mr. Choi Lin Hung, and as to 51% owned by Victory City Investments Limited, a wholly-owned subsidiary of the Company.

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

8. These shares were held by FGG.

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

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

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

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

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

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

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

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

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

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

19. This registered capital was held by One Sino Limited.

20. This registered capital was beneficially owned by Sky Winner Investment Limited.

21. These shares were held by Global Trend Investments Limited.

22. Talent Partner Holdings Limited is 51% owned by Ford Glory Holdings Limited.

23. This common stock or, as the case may be, ordinary share was beneficially owned by Talent Partner Holdings Limited.

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

25. Ford Glory (Shenzhen) International Limited is the unofficial English translation of 福源創業信息諮詢服務(深圳)有限公司.

26. These companies are subsidiaries of the Company.

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

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

Save as disclosed above in this report, as at 31 March 2013, none of the Directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2013, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
Pearl Garden Pacific Limited	373,986,000 (L)	Beneficial owner (Note 2)	23.05%
Cornice Worldwide Limited	373,986,000 (L)	Interest of controlled corporation (Note 2)	23.05%
Madian Star Limited	373,986,000 (L)	Beneficial owner (Note 3)	23.05%
Yonice Limited	373,986,000 (L)	Interest of controlled corporation (Note 3)	23.05%
Fiducia Suisse SA	747,972,000 (L)	Trustee (Notes 2 & 3)	46.09%
David Henry Christopher Hill	747,972,000 (L)	Interest of controlled corporation (Note 6)	46.09%
Rebecca Ann Hill	747,972,000 (L)	Interest of spouse (Note 7)	46.09%
Ho Yuen Mui, Shirley	375,186,000 (L)	Interest of spouse (Note 4)	23.12%
Or Kwai Ying	377,154,000 (L)	Interest of spouse (Note 5)	23.24%
Templeton Asset Management Limited	247,559,314 (L)	Investment manager	16.00%
Delta Lloyd Asset Management NV	81,185,313 (L)	Investment manager	5.00%

Notes:

1. The letter "L" represents the person's or entity's interests in the Shares and underlying Shares.

2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly-owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members. Mr. Chen Tien Tui is a director of Pearl Garden Pacific Limited and Cornice Worldwide Limited.

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

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

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

6. These Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members and Mr. Chen Tien Tui's family members. Fiducia Suisse SA is wholly-owned by Mr. David Henry Christopher Hill.

7. Ms. Rebecca Ann Hill is the wife of Mr. David Henry Christopher Hill.

Save as disclosed above, so far as is known to the Directors, as at 31 March 2013, there was no person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 32 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 32 to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

Save as disclosed in note 32 to the consolidated financial statements in respect of the Company's share option scheme, there is no contract of significance subsisting as at 31 March 2013 in which a Director is or was materially interested, either directly or indirectly.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2013.

AUDITOR

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

On behalf of the Board

Li Ming Hung
Chairman

Hong Kong
28 June 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high standards of corporate governance and endeavours in following the Code Provisions under the CG Code.

The Company has applied the principles as set out in the CG Code and regularly reviews its corporate governance practices to ensure compliance with the CG Code. In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 March 2013 save and except for the deviation from Code Provision A.6.7.

Code Provision A.6.7

In respect of Code Provision A.6.7, Mr. Li Ming Hung, Chairman of the Company and an executive Director, Mr. Chen Tien Tui, Chief Executive Officer of the Company and an executive Director and Mr. Kan Ka Hon, an independent non-executive Director, did not attend the AGM held on 28 August 2012 due to their other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2013.

BOARD OF DIRECTORS

The Board currently comprises seven Directors, including four executive Directors, namely Mr. Li Ming Hung (Chairman), Mr. Chen Tien Tui (Chief Executive Officer), Mr. Lee Yuen Chiu, Andy and Mr. Choi Lin Hung; and three independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi. None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship(s)) with each other.

The biographical details of the Directors are set out on pages 15 to 16 of this annual report.

All Directors are subject to retirement by rotation and being eligible, offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws.

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

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

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

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the Directors of the Board has full access to relevant information at the meetings. The Board has met four times during the year ended 31 March 2013 and conducted the following activities:

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

(b) reviewed and approved corporate strategies of the Group for the financial year ending 31 March 2014;

(c) reviewed the compliance checklist and the corporate governance policy;

(d) reviewed the continuing connected transactions; and

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

Corporate governance functions

Pursuant to the Board's term of reference, the Board shall keep the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The Board shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to enhance a high standard of corporate governance practices in the Group. The duties of the Board shall include the following aspects:

(a) to develop and review the Group's policies and practices on corporate governance;

(b) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(c) to review and approve the annual corporate governance report and related disclosures in the annual and interim reports of the Group and ensuring compliance with relevant requirements under the Listing Rules or the rules of any other stock exchange in respect of which the securities of the Company are listed or quoted, or other laws, regulations, rules and codes as may be applicable to the Group (the "Applicable Laws");

(d) to make sure that appropriate monitoring systems are in place to ensure compliance against the relevant internal controls systems, processes and policies, and in particular to monitor the implementation of the Group's plans to maintain high compliance with its own risk management standards;

(e) to monitor each of the audit committee, remuneration committee and nomination committee of the Company (or such other Board committee for time to time established) has duly discharged their respective duties and obligations in accordance with their respective terms of reference, the Listing Rules and any Applicable Laws; and

(f) to review the Group's compliance with the corporate governance code from time to time adopted by the Group and the disclosure in the corporate governance report to be contained in the Company's annual reports.

Chairman and Chief Executive

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The roles of the Chairman and the Chief Executive Officer of the Company are segregated and are not exercised by the same individual.

Terms of Appointment of Independent Non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of two years, renewable automatically for successive term of one year commencing from the next day after the expiry of the then current term, unless terminated by not less than three months' notice in writing. Their appointment is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-Laws.

During the year under review, the Board at all times met the requirements 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.

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

BOARD COMMITTEES

The Board has established three board committees including the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") (collectively, the "Board Committees") of the Company. Each of these Board Committees has specific written terms of reference have been published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.victorycity.com.hk). Attendance records of each Board Committees with individual member's attendance are set out in the paragraph headed "Number of Meetings and Director's Attendance" below. The Board has delegated some of its functions to the Board Committees, the details of which are discuss below.

Nomination Committee

The Nomination Committee currently comprises one executive Director, namely Mr. Li Ming Hung (chairman); and two independent non-executive Directors, namely Mr. Kan Ka Hon and Mr. Phaisalakani Vichai. It was established on 19 March 2012 and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

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

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

One meeting of the Nomination Committee was held during the year ended 31 March 2013 to make recommendations on the re-election of Mr. Li Ming Hung, Mr. Lee Yuen Chiu, Andy and Mr. Kwok Sze Chi as Directors to be proposed for Shareholders' approval in the last AGM held on 28 August 2012.

Remuneration Committee

The majority of the Remuneration Committee members are independent non-executive Directors. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Kan Ka Hon (chairman), Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi; and two executive Directors namely, Mr. Li Ming Hung and Mr. Chen Tien Tui. It was established by the Board on 23 September 2005 and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Remuneration Committee meets annually to review the remuneration policies and packages for Directors and senior management of the Company and then make recommendations to the Board on the Group's overall policy and structure for the remuneration of the Directors and senior management of the Group.

Pursuant to Code Provision B.1.5, the remuneration of the members of the senior management by band for the year ended 31 March 2013 is set out below:

In the band of	No. of individuals
HK$1 to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	1

The details of the members of senior management of the Company are set out on page 16 of this annual report.

No Director takes part in any discussions and decisions about his own remuneration. During the year ended 31 March 2013, the Remuneration Committee has convened one meeting to review the salary of the employees of the Company and its subsidiaries and the executive Directors.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Kan Ka Hon (chairman), Mr. Phaisalakani Vichai and Mr. Kwok Sze Chi. It was established by the Board on 1 January 1999 and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

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

During the year ended 31 March 2013, the Audit Committee held two meetings and performed duties summarised below:–

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

(b) reviewed with external auditors on the internal controls and financial matters of the Group in pursuance of the written terms of reference;

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

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

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM"), Nomination Committee Meeting ("NCM") and AGM held for the year ended 31 March 2013 are set out below:

	Number of meetings attended/held for the year ended 31 March 2013				
	BM	**ACM**	**RCM**	**NCM**	**AGM**
Executive Directors					
Mr. Li Ming Hung *(Chairman)*	4/4	–	1/1	1/1	0/1
Mr. Chen Tien Tui *(Chief Executive Officer)*	4/4	–	1/1	–	0/1
Mr. Lee Yuen Chiu, Andy	4/4	–	–	–	1/1
Mr. Choi Lin Hung	4/4	–	–	–	1/1
Independent Non-executive Directors					
Mr. Kan Ka Hon	4/4	2/2	1/1	1/1	0/1
Mr. Phaisalakani Vichai	4/4	2/2	1/1	1/1	1/1
Mr. Kwok Sze Chi	4/4	2/2	1/1	–	1/1

INTERNAL CONTROL

The Board is responsible for maintaining the internal control systems of the Group and for reviewing its effectiveness. The Audit Committee shall review on the effectiveness of the Group's internal control systems and report to the Board on such reviews. Management will continue to follow up with actions agreed upon in response to the recommendations. During the year ended 31 March 2013, the Board conducted an annual review of the Group's internal control systems, including financial, operational and compliance controls and risk management functions.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course which provided by the Company's external legal adviser on the topics related to corporate governance and regulations and provided record of training they received as follows:

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

AUDITOR'S REMUNERATION

During the year, the nature of the audit and non-audit services provided by Deloitte Touche Tohmatsu, the external auditor of the Company, and the relevant fee paid by the Company for such services are as follows:

Audit services of approximately HK$3,381,000 for the Group;

Non-audit services of approximately HK$1,138,000 including:

– review of interim results;
– taxation services for the Group;
– agreed-upon procedures on the Group's continuing connected transactions; and
– agreed-upon procedures on the Group's annual results announcement.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHAREHOLDERS' RIGHTS

Convening a special general meeting on requisition

1.1 Shareholders have the right to call for a special general meeting on requisition in the manner prescribed by and set out in the Bye-laws and the Companies Act 1981 of Bermuda (the "Companies Act").

1.2 Bye-law 58 provides that "The Board may whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, in default, may be convened by the requisitionists."

1.3 Pursuant to section 74 of the Companies Act, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "General Meeting Requisitionists") may by written requisition (the "General Meeting Requisition") to the Board or the Company Secretary, require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

1.4 The General Meeting Requisition must state the purpose of the meeting, and must be signed by the General Meeting Requisitionists; the General Meeting Requisition may consist of several documents in like form each signed by one or more General Meeting Requisitionists.

1.5 The General Meeting Requisition shall be deposited at the registered office of the Company at Clarendon House, Church Street, Hamilton HM 11, Bermuda and copied to the head office and principal place of business of the Company at Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong and marked for the attention of the Company Secretary.

Corporate Governance Report

1.6 If the Board fails to proceed to convene such meeting within 21 days from the date of the deposit of General Meeting Requisition as set out in the paragraph 1.3 above, the General Meeting Requisitionists, or any of them representing more than one half of their total voting rights, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the General Meeting Requisition.

1.7 Any reasonable expenses incurred by the General Meeting Requisitionists by reason of the failure of the directors of the Company to duly convene a meeting shall be repaid to the General Meeting Requisitionists by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Secretaries Limited

Address: 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

Tel: (852) 2980 1333

Fax: (852) 2861 1465

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence address, email address and phone number of the Company:

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

Email: info@victorycity.com.hk

Tel: (852) 2462 3807

Fax: (852) 2456 3216

Attention: Company Secretary

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures for putting forward proposals at general meeting

1. Subject to paragraph 2 below, pursuant to in Sections 79 and 80 of the Companies Act, Resolution Requisitionists (as defined in paragraph 2 below) may, by requisition in writing (the "Resolution Requisition"), request the Company to give to or circulate to (as the case may be) the Shareholders (i) notice of any resolution which may properly be moved and is intended to be moved at the next AGM (and such notice shall be given to Shareholders who are entitled to receive notice of the forthcoming AGM); or (ii) any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting (and such notice shall be circulated to members entitled to have notice of any general meeting sent to them), at the expense of the Resolution Requisitionists.

2. "Resolution Requisitionists" means Shareholders making a requisition under paragraph 1 above and shall constitute either:

   (a) any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

   (b) not less than one hundred Shareholders.

3. A copy of the Resolution Requisition signed by the Resolution Requisitionists with their detailed contact information, or two or more copies containing the signatures of all the Resolution Requisitionists, shall be deposited at the registered office of the Company and copied to the head office and principal place of business of the Company at their respective address specified in paragraph 1.5 under the paragraph headed "Convening a Special General Meeting on Requisition" above:

   (a) in the case of Resolution Requisition requiring notice of a resolution, not less than six weeks before the forthcoming AGM; and

   (b) in the case of any other requisition, not less than one week before the general meeting.

4. Resolution Requisitionists shall deposit or tender with the Resolution Requisition a sum reasonably sufficient to meet the Company's expenses in giving notice of any resolution or to circulate any statement as provided under the Companies Act.

INVESTOR RELATIONS

There was no change in the Company's constitutional documents during the year ended 31 March 2013.

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Victory City International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 112, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	7	**4,085,368**	3,835,261
Cost of sales		**(3,334,325)**	(3,119,141)
Gross profit		**751,043**	716,120
Other income		**39,685**	20,154
Other gains and losses	9	**20,843**	15,747
Gain on bargain purchase of acquisition of subsidiaries	35	**–**	85,047
Distribution and selling expenses		**(89,005)**	(72,044)
General and administrative expenses		**(348,061)**	(313,943)
Share-based payment expenses	32	**(40,360)**	(11,156)
Finance costs	10	**(102,818)**	(64,187)
Other expenses	35	**–**	(2,096)
Profit before tax		**231,327**	373,642
Income tax expense	11	**(23,512)**	(26,509)
Profit for the year	12	**207,815**	347,133
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year		**19,437**	70,106
Total comprehensive income for the year		**227,252**	417,239
Profit for the year attributable to:			
Owners of the Company		**205,767**	341,249
Non-controlling interests		**2,048**	5,884
		207,815	347,133
Total comprehensive income attributable to:			
Owners of the Company		**226,359**	410,113
Non-controlling interests		**893**	7,126
		227,252	417,239
Earnings per share	14		
Basic		**13.1 cents**	24.1 cents
Diluted		**13.1 cents**	24.1 cents

Consolidated Statement of Financial Position

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**2,924,111**	2,759,284
Prepaid lease payments	16	**185,366**	183,536
Investment property	17	**32,000**	31,000
Goodwill	18	**6,614**	6,614
Intangible asset	19	**1,000**	1,000
Other assets		**26,040**	26,040
Interest in a jointly controlled entity	21	**–**	–
Restricted bank deposit	20	**77,295**	–
Deferred tax assets	33	**1,835**	1,899
Deposit paid for acquisition of property, plant and equipment		**2,262**	3,876
		3,256,523	3,013,249
Current assets			
Inventories	22	**2,061,165**	1,804,597
Trade and bills receivables	23	**1,232,526**	1,103,280
Deposits, prepayments and other receivables	25	**288,034**	194,363
Prepaid lease payments	16	**4,694**	4,568
Derivative financial instruments	26	**19,044**	22,185
Taxation recoverable		**737**	3,659
Bank balances and cash	27	**1,692,922**	1,099,022
		5,299,122	4,231,674
Current liabilities			
Trade payables	28	**510,574**	294,381
Other payables and accruals	29	**150,456**	153,779
Dividend payable		**105**	93
Taxation payable		**89,651**	83,362
Bank borrowings – amount due within one year	30	**1,772,064**	1,472,690
Derivative financial instruments	26	**10,807**	8,833
		2,533,657	2,013,138
Net current assets		**2,765,465**	2,218,536
Total assets less current liabilities		**6,021,988**	5,231,785

Consolidated Statement of Financial Position

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	31	**16,228**	15,474
Reserves		**4,645,745**	4,406,435
Equity attributable to owners of the Company		**4,661,973**	4,421,909
Non-controlling interests		**249,231**	236,529
Total equity		**4,911,204**	4,658,438
Non-current liabilities			
Bank borrowings – amount due after one year	30	**1,023,912**	484,526
Deferred tax liabilities	33	**86,872**	88,821
		1,110,784	573,347
		6,021,988	5,231,785

The financial statements on pages 43 to 112 were approved and authorised for issue by the Board on 28 June 2013 and are signed on its behalf by:

Li Ming Hung
Director

Chen Tien Tui
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Company											Attributable to non-controlling interests			
	Share capital HK$'000 (note 30)	Share premium HK$'000	Special reserve HK$'000 (note i)	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note ii)	Translation reserve HK$'000	Dividend reserve HK$'000	Warrant reserve HK$'000	Share option reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Share option reserve of a subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2011	12,226	1,239,774	(5,530)	39	76,229	556,735	–	–	–	1,877,973	3,757,446	8,052	215,820	223,872	3,981,318
Profit for the year	–	–	–	–	–	–	–	–	–	341,249	341,249	–	5,884	5,884	347,133
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year	–	–	–	–	–	68,864	–	–	–	–	68,864	–	1,242	1,242	70,106
Total comprehensive income for the year	–	–	–	–	–	68,864	–	–	–	341,249	410,113	–	7,126	7,126	417,239
2011 Final dividend declared	–	–	–	–	–	–	48,903	–	–	(48,903)	–	–	–	–	–
2012 Interim dividend declared	–	–	–	–	–	–	48,083	–	–	(48,083)	–	–	–	–	–
Issue of shares as consideration for acquisition of subsidiaries (note 35)	2,575	295,630	–	–	–	–	–	–	–	–	298,205	–	–	–	298,205
Issue of shares under scrip dividend scheme for 2011 final	311	26,699	–	–	–	–	(27,010)	–	–	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2012 interim	362	25,622	–	–	–	–	(25,984)	–	–	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(43,992)	–	–	–	(43,992)	–	–	–	(43,992)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(5,488)	(5,488)	(5,488)
Recognition of equity-settled share-based payments in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	11,156	–	11,156	11,156
Lapse of share option in a subsidiary	–	–	–	–	–	–	–	–	–	137	137	(137)	–	(137)	–
At 31 March 2012	15,474	1,587,725	(5,530)	39	76,229	625,599	–	–	–	2,122,373	4,421,909	19,071	217,458	236,529	4,658,438
Profit for the year	–	–	–	–	–	–	–	–	–	205,767	205,767	–	2,048	2,048	207,815
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year	–	–	–	–	–	20,592	–	–	–	–	20,592	–	(1,155)	(1,155)	19,437
Total comprehensive income for the year	–	–	–	–	–	20,592	–	–	–	205,767	226,359	–	893	893	227,252
2012 Final dividend declared	–	–	–	–	–	–	38,684	–	–	(38,684)	–	–	–	–	–
2013 Interim dividend declared	–	–	–	–	–	–	31,752	–	–	(31,752)	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2012 final	402	29,110	–	–	–	–	(29,512)	–	–	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2013 interim	352	25,226	–	–	–	–	(25,578)	–	–	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(15,346)	–	–	–	(15,346)	–	–	–	(15,346)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	28,300	–	28,300	–	–	–	28,300
Lapse of share option	–	–	–	–	–	–	–	–	(106)	106	–	–	–	–	–
Recognition of equity-settled share-based payments in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	12,060	–	12,060	12,060
Exercise of share option in a subsidiary	–	–	–	–	–	–	–	–	–	23	23	(23)	–	(23)	–
Lapse of share option in a subsidiary	–	–	–	–	–	–	–	–	–	228	228	(228)	–	(228)	–
Issue of unlisted warrants (note 31)	–	–	–	–	–	–	–	500	–	–	500	–	–	–	500
At 31 March 2013	**16,228**	**1,642,061**	**(5,530)**	**39**	**76,229**	**646,191**	**–**	**500**	**28,194**	**2,258,061**	**4,661,973**	**30,880**	**218,351**	**249,231**	**4,911,204**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

notes:

(i) The Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in change in control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded in special reserve.

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Profit before tax		231,327	373,642
Adjustments for:			
(Gain) loss on disposal of property, plant and equipment		(409)	854
Depreciation of property, plant and equipment		259,304	241,491
Gain on bargain purchase of acquisition of subsidiaries		–	(85,047)
Gain on fair value change of an investment property		(1,000)	(662)
Gain on fair value changes of derivative financial instruments		(24,023)	(16,181)
Gain on fair value change of a restricted bank deposit		(1,245)	–
Impairment loss recognised on receivables		–	1,120
Interest income		(34,516)	(9,863)
Interest on bank borrowings		102,818	64,187
Loss on fair value changes of structured borrowings		–	4,799
Share-based payment expenses		40,360	11,156
Release of prepaid lease payments		4,298	3,008
Write-down of inventories		1,600	1,564
Operating cash flows before working capital changes		578,514	590,068
(Increase) decrease in inventories		(253,362)	556,606
Increase in trade and bills receivables		(126,403)	(154,421)
Decrease in deposits, prepayments and other receivables		3,525	84,601
Decrease (increase) in trade payables		212,141	(134,964)
Increase in other payables and accruals		(3,524)	(218,204)
Proceeds from and settlement of derivative financial instruments		29,138	10,682
Increase in bank borrowing from discounted bills and debts factored with recourse		80,308	105,670
Cash generated from operations		520,337	840,038
Interest paid on bank borrowings		(108,513)	(64,187)
PRC Enterprise Income Tax paid		(11,068)	(10,432)
Hong Kong Profits Tax paid		(5,287)	(18,585)
Overseas tax paid		(205)	(149)
Interest received		30,940	9,863
NET CASH FROM OPERATING ACTIVITIES		426,204	756,548
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(407,774)	(137,288)
Loan made to an independent third party		(93,132)	–
Placement of a restricted bank deposit		(76,050)	–
Increase in prepaid lease payments		(5,971)	–
Deposit paid for acquisition of property, plant and equipment		(2,262)	(3,876)
Proceeds from disposal of property, plant and equipment		9,743	16,326
Purchase of an investment property		–	(24,738)
Acquisition of subsidiaries	35	–	19,432
NET CASH USED IN INVESTING ACTIVITIES		(575,446)	(130,144)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
New bank loans raised	**1,917,322**	350,402
Net amount of import loans and trust receipts loans raised (repaid)	**149,365**	(30,575)
Proceeds from issuance of unlisted warrants	**500**	–
Repayment of bank loans	**(1,307,752)**	(486,062)
Dividend paid to the Company's shareholders	**(15,346)**	(43,992)
Repayment of mortgage loans	**(2,029)**	(1,264)
Upfront payment of loan arrangement fee	**–**	(29,099)
Repayment of structured borrowings	**–**	(17,238)
Dividend paid to non-controlling shareholders	**–**	(5,488)
New mortgage loan raised	**–**	14,539
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**742,060**	(248,777)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**592,818**	377,627
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,099,022**	709,479
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,082**	11,916
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**1,692,922**	1,099,022

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

1. GENERAL

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

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

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

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

In the current year, the Group has applied the following amendments to HKFRS issued by the HKICPA.

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to HKFRS in the current year has had no material effect on the financial performance and positions for the current and prior accounting years and/or on the disclosures set out in these financial statements.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivables. The arrangements are made through discounting those bills receivables to banks on a full recourse basis. Specifically, if the bills receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as an unsecured borrowing (see note 30). The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to HKFRS 7 (see note 24). In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[2]

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2015. Based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2013, the adoption of HKFRS 9 is not expected to have material impact on the Group's consolidated financial statements.

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

New and revised standards on consolidation, joint arrangements and disclosures

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

Key requirements of these five standards are described below.

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

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These standards, together with the amendments relating to the transitional guidance will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. Based on the existing group structure, the application of these five standards is not expected to have material impact on amounts reported in the consolidated financial statements.

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

HKFRS 13 Fair Value Measurement

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

The amendments to HKAS 1 will be adopted by the Group for annual period beginning 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group's annual period beginning on or after 1 January 2013 and interim periods within the annual period. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until the Group's annual period beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to derivative contracts.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

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

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

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entity

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

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

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

Intangible asset

Intangible asset acquired separately

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

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

Revenue recognition

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

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

When buildings are in the course of development for production or for administrative purposes, the release of prepaid lease payments during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment property

Investment property is properties held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gain or loss arising from changes in the fair value of investment property is included in profit or loss for the period in which it arises.

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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

Borrowing costs

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. 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 benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for an investment property that is measured using the fair value model in accordance with HKAS 40 Investment Property, such property is presumed to be recovered through sale. Such presumption is rebutted when the investment property is depreciable and is held within business model of the Group whose business objective is to consume substantially all economic benefits embodied in the investments property over time, rather than through sale.

If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combinations, the tax effect is included in the accounting for the business combination.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial 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 other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 6.

Loans and receivables

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

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Warrants issued by the Company that will be settled by a fixed amount of cash for fixed number of the Company's own equity instruments is equity instrument. The net proceed received from the issue of warrants is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

Other financial liabilities

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

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

The fair value of services received determined by reference to the fair value of share options granted is expensed in full at the grant date when the share options vested immediately or on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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

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 with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment loss of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value. At 31 March 2013, the carrying amount of trade and bills receivables was HK$1,232,526,000 (2012: HK$1,103,280,000) (net of allowance for doubtful debts of HK$4,117,000 (2012: HK$5,228,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Written-down of inventories

Management reviews the inventories listing at the end of each reporting period, and writes down obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise. At 31 March 2013, the carrying amount of inventories was HK$2,061,165,000 (2012: HK$1,804,597,000).

Income taxes

As at 31 March 2013, deferred tax asset in relation to unused tax losses of HK$30,477,000 (2012: HK$9,140,000) and deductible temporary difference of HK$54,396,000 (2012: HK$57,725,000) in respect of accelerated accounting depreciation (see note 33) were not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such recognition takes place.

Fair value of structured foreign currency forward contracts

As at 31 March 2013, the Group had outstanding structured foreign currency forward contracts which were stated at fair value. In the absence of quoted market price, the valuation of these contracts was carried out by independent professional valuer using valuation techniques which involve certain inputs and assumptions including spot and forward exchange rates, time to maturity and volatility, etc. Any changes in these inputs and assumptions could have an impact on the fair value of these contracts, details of which are set out in note 26.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 30, net of cash and cash equivalents disclosed in note 27, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,023,343**	2,208,238
FVTPL		
Restricted bank deposit	**77,295**	–
Derivative financial instruments	**19,044**	22,185
Financial liabilities		
Amortised cost	**3,333,991**	2,262,432
FVTPL		
Derivative financial instruments	**10,807**	8,833

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

Certain subsidiaries of the Group operate outside Hong Kong and usually have their local currency as their functional currency. In general, majority of the purchase and expense of the Group are denominated in RMB while the sales are denominated in HK$ or US$. During the year, the Group entered certain forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB and US$.

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

	Liabilities		Assets	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
RMB	**–**	1	**332,071**	27,410

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Because HK$ is pegged against US$ in exchange rate, the above amounts exclude US$/HK$ monetary assets and liabilities where the relevant group entities' functional currency is US$/HK$. The relevant foreign currency balances are disclosed in the respective notes.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) fluctuation of exchange rate of the functional currency of the relevant group entities against RMB. This sensitivity analysis includes only outstanding monetary items where the denomination of the amount is in a currency other than the functional currency of the relevant group entities at the end of the reporting period and adjusts their translation for a 5% exchange rate when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. If the functional currency of the relevant group entities weaken against the foreign currencies by 5%, the Group's post-tax profit for the year would increase by:

	2013	2012
	HK$'000	HK$'000
Gain in relation to:		
– RMB	**13,864**	1,147

As set out in note 26, at the end of the reporting period, the Group had outstanding structured and non-structured foreign currency forward contracts which also expose the Group to currency fluctuation risks.

All structured foreign currency forward contracts are to hedge the rise of RMB against US$. Based on the terms of these contracts, if at 31 March 2013, (i) RMB had weakened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been reduced by HK$178,709,000 (2012: HK$105,794,000) and (ii) RMB had strengthened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been increased by HK$6,944,000 (2012: HK$12,489,000). In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used involves multiple variables and certain variables which are interdependent.

No sensitivity analysis is presented for the restricted bank deposit as the impact of change in exchange rate on the fair value is insignificant. Details of the restricted bank deposit is set out in note 20.

No sensitivity analysis is presented for the outstanding non-structured foreign currency forward contracts as their notional amounts are small and their impacts are insignificant.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loan receivables, bank deposits and balances and bank borrowings (see notes 25, 27 and 30 for details). The management monitors interest rate exposure and considers hedging significant interest rate exposure. The Group has entered into interest rate swaps (see note 26) which, however, are not qualified for applying hedge accounting.

All bank borrowings (note 30) carry variable-rates determined by reference to the prevailing market rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's bank borrowings.

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease by approximately HK$12,940,000 (2012: HK$10,269,000) or increase by approximately HK$15,560,000 (2012: HK$8,457,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate loan receivables, bank borrowings and interest rate swaps. The impact of bank balances is insignificant.

Credit risk

As at 31 March 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers except for the loan receivables due from a single counterparty (see note 25). The credit risk is considered not significant as the counterparty has strong financial background.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

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

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

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at that end of the reporting period.

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2013 HK$'000
2013							
Non-derivative financial liabilities							
Trade and other payables	–	251,513	230,653	55,849	–	538,015	538,015
Bank borrowings	3.33%	1,123,154	260,453	404,474	1,066,102	2,854,183	2,795,976
		1,374,667	491,106	460,323	1,066,102	3,392,198	3,333,991
Derivative – net settlement							
Structured foreign currency forward contracts		(365)	(729)	(2,464)	8,106	4,548	4,460
Interest rate swap		–	–	595	5,752	6,347	6,347
		(365)	(729)	(1,869)	13,858	10,895	10,807

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2012 HK$'000
2012							
Non-derivative financial liabilities							
Trade and other payables	–	116,357	144,577	44,282	–	305,216	305,216
Bank borrowings	2.41%	934,499	83,417	468,510	491,050	1,977,476	1,957,216
		1,050,856	227,994	512,792	491,050	2,282,692	2,262,432
Derivative – net settlement							
Structured foreign currency forward contracts		(272)	(617)	(1,948)	6,821	3,984	3,920
Foreign currency contracts		–	271	–	–	271	271
Interest rate swap		–	–	–	4,861	4,861	4,642
		(272)	(346)	(1,948)	11,682	9,116	8,833

Bank loans with a repayable on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2013 and 31 March 2012, the aggregate outstanding principal amounts of these bank loans amounted to HK$1,187,846,000 and HK$807,520,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be fully repaid in accordance with the scheduled repayment dates set out in the loan agreements, as follows. However, in accordance with Hong Kong Interpretation 5 "Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment On Demand Clause", all such bank loans have been classified as current liabilities.

The following table disclose the maturity analysis in accordance with scheduled repayment dates set out in the facility letters.

	Weighted average effective interest rate	**Less than 1 month** HK$'000	**1 to 3 months** HK$'000	**3 months to 1 year** HK$'000	**Over 1 year** HK$'000	**Total undiscounted cash flows** HK$'000	**Carrying amount at 31 March** HK$'000
2013							
Bank borrowings	**2.61%**	**647,478**	**523,713**	**5,696**	**18,478**	**1,195,365**	**1,187,846**
2012							
Bank borrowings	1.99%	246,612	222,596	309,925	37,112	816,245	807,520

The amounts included above for variable interest rate instruments is subjected to change of interest rates differ to those determined at the end of the reporting date.

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

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

- the fair value of the derivative financial instruments and restricted bank deposit were measured using (i) Monte Carlos Simulation Model, (ii) Covered Interest Rate Parity or (iii) discounted cash flow analysis based on applicable yield curves of interest rates matching maturities of the derivative financial instruments; and
- 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.

Fair value measurement recognised in the consolidated statement of financial position

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

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

		2013		
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Restricted bank deposit	**–**	**–**	**77,295**	**77,295**
Derivative financial instruments	**–**	**–**	**19,044**	**19,044**
Financial liabilities at FVTPL				
Derivative financial instruments	**–**	**6,347**	**4,460**	**10,807**

		2012		
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Derivative financial instruments	–	17	22,168	22,185
Financial liabilities at FVTPL				
Derivative financial instruments	–	4,913	3,920	8,833

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Restricted bank deposit HK$'000	Structured foreign currency forward contracts HK$'000	Total HK$'000
At 1 April 2011	–	7,853	7,853
Premium received on contract date	–	(1,552)	(1,552)
Fair value gains (note):			
– realised	–	1,277	1,277
– unrealised	–	19,800	19,800
Settlement	–	(9,130)	(9,130)
At 31 March 2012	–	18,248	18,248
Placement of restricted bank deposit	76,050	–	76,050
Fair value gains (note):			
– realised	–	10,888	10,888
– unrealised	1,245	14,586	15,831
Settlement	–	(29,136)	(29,136)
At 31 March 2013	**77,295**	**14,586**	**91,881**

note: The amount is included in net gain on fair value changes of derivative financial instruments and restricted bank deposit of "other gains and losses" in note 9.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided by the Group to outside customers, net of discounts and sales related taxes. It is analysed as follows:

	2013 HK$'000	2012 HK$'000
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	**3,014,206**	2,925,353
Production and sale of garment products and provision of quality services	**1,071,162**	909,908
	4,085,368	3,835,261

8. SEGMENT INFORMATION

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

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

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

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

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

Year ended 31 March 2013

	Knitted fabric and dyed yarn HK$'000	**Garment products** HK$'000	**Segment total** HK$'000	**Eliminations** HK$'000	**Consolidated total** HK$'000
REVENUE					
External sales	**3,014,206**	**1,071,162**	**4,085,368**	**–**	**4,085,368**
Inter-segment sales	**85,819**	**–**	**85,819**	**(85,819)**	**–**
Total	**3,100,025**	**1,071,162**	**4,171,187**	**(85,819)**	**4,085,368**
RESULTS					
Segment results	**297,737**	**31,378**	**329,115**	**–**	**329,115**
Unallocated corporate income					**34,588**
Other gains and losses					**26,677**
Unallocated corporate expenses					**(56,235)**
Finance costs					**(102,818)**
Profit before tax					**231,327**

8. SEGMENT INFORMATION (continued)

Year ended 31 March 2012

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	2,925,353	909,908	3,835,261	–	3,835,261
Inter-segment sales	106,115	–	106,115	(106,115)	–
Total	3,031,468	909,908	3,941,376	(106,115)	3,835,261
RESULTS					
Segment results	427,705	22,345	450,050	(179)	449,871
Unallocated corporate income					15,367
Other gains and losses					11,190
Unallocated corporate expenses					(38,599)
Finance costs					(64,187)
Profit before tax					373,642

Segment profit represents the profit earned by each segment without allocation of gain (loss) on disposal of property, plant and equipment, interest income, rental income, gain on fair value change of an investment property, net gain on fair value changes of derivative financial instruments and restricted bank deposit, loss on fair value changes of structured borrowings, central administration costs and finance costs. This is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market rate.

Segment assets and liabilities

At 31 March 2013

	Knitted fabric and dyed yarn HK$'000	**Garment products** HK$'000	**Consolidated total** HK$'000
ASSETS			
Segment assets	**6,277,767**	**486,126**	**6,763,893**
Unallocated assets			**1,791,752**
Consolidated total assets			**8,555,645**
LIABILITIES			
Segment liabilities	**563,778**	**95,185**	**658,963**
Unallocated liabilities			**2,985,478**
Consolidated total liabilities			**3,644,441**

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

At 31 March 2012

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	5,661,864	459,398	6,121,262
Unallocated assets			1,123,661
Consolidated total assets			7,244,923
LIABILITIES			
Segment liabilities	326,223	120,141	446,364
Unallocated liabilities			2,140,121
Consolidated total liabilities			2,586,485

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

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

Other segment information

At 31 March 2013

	Knitted fabric and dyed yarn HK$'000	**Garment products** HK$'000	**Consolidated total** HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets (note)	**376,863**	**46,453**	**423,316**
Depreciation	**240,739**	**18,565**	**259,304**
Gain (loss) on disposal of property, plant and equipment	**765**	**(356)**	**409**
Release of prepaid lease payments	**4,199**	**99**	**4,298**
Write-down of inventories	**–**	**1,600**	**1,600**

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

At 31 March 2012

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets (note)	97,696	43,836	141,532
Depreciation	227,064	14,427	241,491
Gain on bargain purchase of acquisition of subsidiaries	85,047	–	85,047
(Loss) gain on disposal of property, plant and equipment	(1,012)	158	(854)
Impairment loss recognised on receivables	1,120	–	1,120
Release of prepaid lease payments	2,911	97	3,008
Write-down of inventories	–	1,564	1,564

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

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

Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	**517,076**	505,316	**77,514**	95,249
PRC	**1,589,462**	1,857,491	**3,034,731**	2,884,769
US	**725,122**	577,890	**103**	2
Korea	**309,260**	249,926	**–**	–
Bangladesh	**311,085**	170,619	**–**	–
Taiwan	**251,630**	136,486	**–**	–
Canada	**91,524**	100,546	**–**	–
Others	**290,209**	236,987	**39,005**	5,290
	4,085,368	3,835,261	**3,151,353**	2,985,310

8. SEGMENT INFORMATION (continued)

Information about major customers

None of the customers individually contributed over 10% of the Group's total annual revenue for each of the two years ended 31 March 2013.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting and quality services. No information about products and service is presented as the information is not available and the cost to develop such information is excessive.

9. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	HK$'000
Net gain on fair value changes of derivative financial instruments	**24,023**	16,181
Gain on fair value change of a restricted bank deposit	**1,245**	–
Gain on fair value change of an investment property	**1,000**	662
Gain (loss) on disposal of property, plant and equipment	**409**	(854)
Net foreign exchange (loss) gain	**(5,834)**	5,677
Loss on fair value changes of structured borrowings	**–**	(4,799)
Impairment loss recognised on receivables	**–**	(1,120)
	20,843	15,747

10. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interest on bank borrowings:		
– wholly repayable within five years	**107,608**	63,676
– not wholly repayable within five years	**905**	511
	108,513	64,187
Less: Amounts capitalised in construction in progress	**(5,695)**	–
	102,818	64,187

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.33% per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
The tax charge comprises:		
Current tax:		
Current year		
– Hong Kong Profits Tax	**12,465**	10,344
– Enterprise Income Tax ("EIT") in the PRC attributable to subsidiaries	**19,154**	16,126
– Overseas income tax	**258**	–
	31,877	26,470
(Over)underprovision in respect of prior years	**(6,472)**	184
	25,405	26,654
Deferred taxation (note 33)	**(1,893)**	(145)
	23,512	26,509

Hong Kong

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

PRC

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary is exempted from PRC EIT for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. Accordingly, the profit of that subsidiary was subjected to a reduced tax rate of 12.5% up to 31 December 2012. Such tax concession expired on 31 December 2012 and the tax rate became 25%.

Other subsidiaries in the PRC are subjected to EIT at the statutory rate of 25%.

Macau

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

Other jurisdictions

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

11. INCOME TAX EXPENSE (continued)

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

	2013 HK$'000	2012 HK$'000
Profit before tax	**231,327**	373,642
Tax at the domestic income tax rate of 16.5%	**38,169**	61,651
Tax effect of utilisation of deductible temporary difference previously not recognised	**(549)**	–
Tax effect of expenses that are not deductible for tax purpose	**16,575**	8,724
Tax effect of income not taxable for tax purpose	**(2,938)**	(14,445)
Tax effect of utilisation of tax losses previously not recognised	**(256)**	(2,150)
Tax effect of tax losses not recognised	**3,777**	974
Income tax on concessionary rate and tax exemption	**(35,935)**	(39,856)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**9,508**	7,196
(Over)underprovision in respect of prior years	**(6,472)**	184
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	**1,633**	4,231
Tax charge for the year	**23,512**	26,509

Details of deferred taxation are set out in note 33.

12. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	**24,527**	16,600
Other staff costs	**488,261**	344,275
Total staff costs	**512,788**	360,875
Auditor's remuneration	**3,950**	3,306
Depreciation of property, plant and equipment	**259,304**	241,491
Release of prepaid lease payments	**4,298**	3,008
Write-down of inventories (included in cost of sales)	**1,600**	1,564
and after crediting:		
Government grants	**2,482**	1,908
Bank interest income	**30,195**	9,863
Other interest income	**4,321**	–

12. PROFIT FOR THE YEAR (continued)

Included in the other staff costs is an aggregate amount of approximately HK$33,106,000 (2012: HK$26,493,000) in respect of contributions to retirement benefits schemes made by the Group (note ii).

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

notes:

(i) Information regarding directors', chief executive's and employees' emoluments

Directors

The emoluments paid or payable to each of the seven (2012: seven) directors and the chief executive were as follows:

	Li Ming Hung	Chen Tien Tui	Lee Yuen Chiu, Andy	Choi Lin Hung	Kan Ka Hon	Phaisalakani Vichai	Kwok Sze Chi	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2013								
Fees	**–**	**–**	**–**	**1,170**	**225**	**225**	**225**	**1,845**
Salaries and other benefits	**3,744**	**3,744**	**1,488**	**2,490**	**–**	**–**	**–**	**11,466**
Performance related incentive payments (note)	**2,436**	**2,436**	**984**	**578**	**–**	**–**	**–**	**6,434**
Share-based payment	**283**	**283**	**1,182**	**2,830**	**–**	**–**	**–**	**4,578**
Contributions to retirement benefits schemes	**50**	**50**	**82**	**22**	**–**	**–**	**–**	**204**
Total emoluments	**6,513**	**6,513**	**3,736**	**7,090**	**225**	**225**	**225**	**24,527**
2012								
Fees	–	–	–	990	180	180	180	1,530
Salaries and other benefits	3,360	3,360	1,476	2,320	–	–	–	10,516
Performance related incentive payments (note)	1,940	1,940	68	410	–	–	–	4,358
Contributions to retirement benefits schemes	48	48	82	18	–	–	–	196
Total emoluments	5,348	5,348	1,626	3,738	180	180	180	16,600

note: Performance related incentive payments were determined based on the Group's operating results and future plans, individual performance and comparable market statistics.

Mr. Chen Tien Tui is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

No directors waived any emoluments for the years ended 31 March 2013 and 2012.

12. PROFIT FOR THE YEAR (continued)

notes: (continued)

(i) Information regarding directors', chief executive's and employees' emoluments (continued)

Employees

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

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**1,296**	1,080
Performance related incentive payments	**625**	320
Share-based payment	**708**	–
Contributions to retirement benefits schemes	**61**	54
	2,690	1,454

During each of the two years ended 31 March 2013, (i) no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the directors waived any emoluments.

(ii) Retirement benefits scheme contributions

The Group has operated a defined contribution retirement benefits scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The Group makes mandatory monthly contribution of HK$1,000 before June 2012 and HK$1,250 commencing from 1 June 2012 or 5% of the relevant payroll costs (which is lower) to the scheme, which contribution is matched by the employee.

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

As at 31 March 2013 and 2012, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on 15% to 20% (2012: 15% to 20%) of the salaries of the relevant subsidiaries' employees, are charged to the profit or loss in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

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

13. DISTRIBUTIONS

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
2013 interim dividend of HK2.0 cents (2012: HK2.5 cents) per Share	**31,752**	48,083
2012 final dividend of HK2.5 cents (2012: 2011 final dividend of HK4.0 cents) per Share	**38,684**	48,903
	70,436	96,986

The final dividend of HK2.5 cents (2012: HK2.5 cents) per Share amounting to HK$41,096,000 (2012: HK$38,684,000), which will be payable in cash with a scrip dividend option, has been calculated by reference to the 1,643,838,589 (2012: 1,547,356,666) issued Shares outstanding as at the date these consolidated financial statements were approved for issuance by the Directors, has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming AGM.

14. EARNINGS PER SHARE

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

	2013 HK$'000	2012 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**205,767**	341,249
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	**(145)**	(113)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**205,622**	341,136
Number of shares		
Weighted average number of Shares for the purposes of basic earnings per share	**1,567,272,433**	1,413,699,608
Effect of dilutives potential Shares:		
Company's share options	**7,159,668**	–
Unlisted warrants	**1,075,540**	–
Weighted average number of Shares for the purposes of diluted earnings per share	**1,575,507,641**	1,413,699,608

The computation of diluted earnings per share for the year ended 31 March 2012 does not assume the exercise of the Company's share options because the exercise price of the Company's share options outstanding for the respective year was higher than the average market price of the Shares.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 April 2011	2,056,624	34,248	51,328	43,877	32,832	1,528,989	3,747,898
Exchange realignment	78,588	835	1,370	1,278	662	59,590	142,323
Additions	59,151	1,304	10,796	18,177	2,893	49,211	141,532
Acquired on acquisition of subsidiaries (note 35)	241,263	–	2,623	197	2,333	215,372	461,788
Transfer	36,387	(36,387)	–	–	–	–	–
Disposals	–	–	(1,556)	(1,763)	(2,227)	(29,712)	(35,258)
At 31 March 2012	2,472,013	–	64,561	61,766	36,493	1,823,450	4,458,283
Exchange realignment	14,645	1,507	325	337	131	10,665	27,610
Additions	27,430	314,385	4,942	19,454	8,648	42,486	417,345
Transfer	71,784	(71,784)	–	–	–	–	–
Disposals	(5,565)	–	(193)	(1,410)	(5,616)	(5,550)	(18,334)
At 31 March 2013	**2,580,307**	**244,108**	**69,635**	**80,147**	**39,656**	**1,871,051**	**4,884,904**
DEPRECIATION							
At 1 April 2011	357,110	–	38,910	20,248	24,598	981,813	1,422,679
Exchange realignment	14,127	–	839	382	509	37,050	52,907
Provided for the year	94,287	–	4,658	3,657	3,402	135,487	241,491
Eliminated on disposals	–	–	(1,515)	(1,403)	(2,027)	(13,133)	(18,078)
At 31 March 2012	465,524	–	42,892	22,884	26,482	1,141,217	1,698,999
Exchange realignment	3,390	–	182	92	95	7,731	11,490
Provided for the year	104,941	–	5,570	4,173	3,931	140,689	259,304
Eliminated on disposals	(167)	–	(166)	(564)	(5,340)	(2,763)	(9,000)
At 31 March 2013	**573,688**	**–**	**48,478**	**26,585**	**25,168**	**1,286,874**	**1,960,793**
CARRYING VALUE							
At 31 March 2013	**2,006,619**	**244,108**	**21,157**	**53,562**	**14,488**	**584,177**	**2,924,111**
At 31 March 2012	2,006,489	–	21,669	38,882	10,011	682,233	2,759,284

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

Leasehold land and buildings	4% per annum or over the term of the lease, if shorter
Furniture, fixtures and equipment	15%-25% per annum
Leasehold improvements	10%-20% per annum or over the term of the relevant leases, if shorter
Motor vehicles	20% per annum
Plant and machinery	$6^2/_3$%-25% per annum

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	At 31 March 2013 HK$'000	2012 HK$'000
The Group's leasehold land and buildings comprise:		
Leasehold land and buildings with medium-term leases located in:		
PRC	**1,972,373**	1,970,623
Hong Kong	**31,962**	33,350
Jordan	**2,284**	2,516
	2,006,619	2,006,489

16. PREPAID LEASE PAYMENTS

	At 31 March 2013 HK$'000	2012 HK$'000
Prepaid lease payments comprise:		
Leasehold land in PRC:		
Medium-term leases	**190,060**	188,104
Analysed for reporting purposes as:		
Current assets	**4,694**	4,568
Non-current assets	**185,366**	183,536
	190,060	188,104

17. INVESTMENT PROPERTY

	HK$'000
FAIR VALUES	
At 1 April 2011	–
Addition	30,338
Increase in fair value recognised in profit or loss	662
At 31 March 2012	31,000
Increase in fair value recognised in profit or loss	1,000
At 31 March 2013	**32,000**

The investment property is situated in Hong Kong and held under medium-term lease.

The fair value of the Group's investment property has been arrived at based on a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent firm of valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in similar locations and conditions.

18. GOODWILL

	HK$'000
COST	
At 1 April 2011	6,185
Arising on acquisition of subsidiaries (note 35)	429
At 31 March 2012 and 31 March 2013	**6,614**

As explained in note 8, the Group has two operating segments. For the purposes of impairment testing, goodwill was allocated to a group of CGUs, which are included in the production and sale of garment products segment. The segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2012: 10%). The cash flows beyond the 5-year period are extrapolated using zero growth rate for both years. The growth rate beyond the budget period is estimated based on management forecasts. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount.

19. INTANGIBLE ASSET

	HK$'000
COST	
At 1 April 2011, 31 March 2012 and 31 March 2013	**1,000**

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

The trademark has been allocated to a CGU, which is included in the garment products segment. During both years, management determines that there is no impairment of trademark.

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

20. RESTRICTED BANK DEPOSIT

This represents an initial deposit of US$9,750,000 (equivalent to approximately HK$76,050,000) (31 March 2012: nil) placed with a financial institution pursuant to one of the Net-settled Contracts (as defined in note 26) entered into during the year ended 31 March 2013. The amount is repayable to the Group on 18 February 2016 at US$10,000,000 (equivalent to approximately HK$78,000,000) unless the relevant contract is early terminated pursuant to Knockout Event (as defined in note 26) whereby the financial institution will repay US$10,000,000 (equivalent to approximately HK$78,000,000) to the Group immediately.

The Group has designated the restricted bank deposit as a financial asset at fair value through profit or loss as the restricted bank deposit containing an embedded derivative.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2013 **HK$'000**	2012 HK$'000
Cost of unlisted investment in a jointly controlled entity	**1,340**	1,340
Share of post-acquisition loss	**(1,340)**	(1,340)
	–	–

As at 31 March 2013 and 31 March 2012, the Group had interest in the following jointly controlled entity:

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

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

22. INVENTORIES

	2013 **HK$'000**	2012 HK$'000
Raw materials	**1,021,925**	937,585
Work in progress	**648,187**	405,315
Finished goods	**391,053**	461,697
	2,061,165	1,804,597

23. TRADE AND BILLS RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade and bills receivables	**795,271**	747,444
Bills discounted with recourse and debts factored with recourse	**441,372**	361,064
Less: Allowance for doubtful debts	**(4,117)**	(5,228)
	1,232,526	1,103,280

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

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

	2013 HK$'000	2012 HK$'000
0-60 days	**890,262**	784,166
61-90 days	**179,201**	174,473
91-120 days	**115,237**	114,760
Over 120 days	**47,826**	29,881
	1,232,526	1,103,280

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

	2013 HK$'000	2012 HK$'000
HK$	**2,706**	1,443
RMB	**29,381**	5,058
US$	**201,970**	134,439

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

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$47,826,000 (2012: HK$35,694,000) which were past due at the end of the reporting period but for which the Group has not provided for impairment loss.

23. TRADE AND BILLS RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired

	2013 **HK$'000**	2012 HK$'000
61-90 days	**–**	5,813
Over 120 days	**47,826**	29,881
	47,826	35,694

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

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

As at 31 March 2013, the Group discounted certain bill receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2013, the carrying amount of bills receivables discounted with recourse was HK$441,372,000 (2012: HK$361,064,000).

Movement in the allowance for doubtful debts

	2013 **HK$'000**	2012 HK$'000
Balance at beginning of the year	**5,228**	4,031
Exchange realignment	**9**	77
Impairment loss recognised on receivables	**–**	2,120
Reversal of impairment loss recognised on receivables	**–**	(1,000)
Amounts written off as uncollectible	**(1,120)**	–
Balance at end of the year	**4,117**	5,228

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

24. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade and bills receivables as at 31 March 2013 that were transferred to banks by factoring those trade receivable or discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade and bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as an unsecured borrowing (see note 30). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

24. TRANSFER OF FINANCIAL ASSETS (continued)

	2013 HK$'000	2012 HK$'000
Carry amount of trade and bills receivables	**441,372**	361,064
Carry amount of associated liabilities	**(441,372)**	(361,064)

During the year ended 31 March 2013, the Group discounted bills receivables and factored debts with recourse in aggregated amounts of HK$1,552,573,000 (2012: HK$1,429,586,000) to banks for short term financing. In the opinion of the Directors, the receipts from the bills discounting and debts factoring are in substance the receipts from trade customers and therefore, was presented as operating cash flow in the consolidated statement of cash flows.

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	notes	2013 HK$'000	2012 HK$'000
Deposits paid for purchase of raw materials and garment products		**158,002**	139,475
Loan receivables	(i)	**93,132**	–
Other deposits and prepayments		**24,488**	16,523
Upfront payment of loan arrangement fee	(ii)	**–**	29,099
Others		**12,412**	9,266
		288,034	194,363

notes:

(i) The amounts are unsecured, repayable within one year and carry interest at the People's Bank of China Prescribed Interest Rate ("PBOC Prescribed Rate") times 1.1 per annum.

(ii) The loan arrangement fee which was paid during the year ended 31 March 2012 was deducted to the related syndicated loan drawn down during the year ended 31 March 2013. It is amortized using an effective interest method over the loan period.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	notes	Liabilities 31 March 2013 HK$'000	Liabilities 31 March 2012 HK$'000	Assets 31 March 2013 HK$'000	Assets 31 March 2012 HK$'000
Structured foreign currency forward contracts:	(i)				
– Net-settled Contracts	(ii)	**4,460**	3,920	**18,944**	21,938
– Gross-settled Contract	(iii)	**–**	–	**100**	230
Non-structured foreign currency forward contracts		**–**	271	**–**	17
Interest rate swap	(iv)	**6,347**	4,642	**–**	–
		10,807	8,833	**19,044**	22,185

26. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

notes:

(i) The Group has entered into certain contracts with various financial institutions to hedge against an increase in RMB/US$ exchange rate for certain agreed periods of time. In most cases, the Group and the respective financial institutions would settle on a net basis with reference to the fluctuation of the RMB/US$ exchange rate against the pre-determined exchange rate on a monthly basis (the "Net-Settled Contracts") over the contract periods. Certain of these contracts also include a knockout provision whereby the contracts will be automatically terminated in certain scenarios (the "Knockout Event"). In one case, however, the Group is obliged to sell US$ to, and buy RMB from, the respective financial institution at an agreed exchange rate when the RMB/US$ exchange rate falls below the specified level (the "Gross-settled Contract").

(ii) The pre-determined RMB/US$ exchange rates range from 6.335 to 6.65 (31 March 2012: 6.335 to 6.8). The maximum aggregate notional amount of these Net-settled Contracts for the calculation of the monthly net-settled amounts is US$49,000,000 (31 March 2012: US$48,000,000), of which US$35,000,000 (31 March 2012: US$27,000,000) is related to contracts with knockout provision. The maturity dates of these contracts range from 11 June 2013 to 18 February 2016 (31 March 2012: 3 April 2013 to 12 December 2014) subject to knockout provision.

(iii) The pre-determined RMB/US$ exchange rate was 6.55 as at 31 March 2013 and 31 March 2012. The maximum amount of US$ the Group was obliged to pay in exchange of RMB pursuant to this Gross-settled Contract was US$4,000,000 as at 31 March 2013 (31 March 2012: US$16,000,000).

(iv) At 31 March 2013, the total notional amount of the interest rate swap contract which swap interest rate from floating rate at 3-month HIBOR per annum to a fixed rate of 3.56% per annum amounted to HK$40,000,000 (31 March 2012: HK$40,000,000). The interest rate swap is to be net-settled on a quarterly basis over the period from 30 August 2013 to 31 May 2021 (2012: from 30 August 2013 to 31 May 2021).

(v) The fair value of the above derivative financial instruments are calculated using (a) Monte Carlos Simulation Model, (b) Covered Interest Rate Parity or (c) discounted cash flow analysis based on applicable yield curves of interest rates matching maturities of the derivative financial instruments.

27. BANK BALANCES AND CASH

These represent bank balances, cash and short-term bank deposits held by the Group.

	2013 HK$'000	2012 HK$'000
Bank balances and cash	**988,320**	684,701
Short term deposits	**704,602**	414,321
	1,692,922	1,099,022

The bank balances and short term deposits carry interest at prevailing market rates ranging from 0.001% to 3.30% (2012: from 0.001% to 3.30%) per annum.

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

	2013 HK$'000	2012 HK$'000
HK$	**11,461**	8,653
EURO	**300**	458
RMB	**302,690**	21,756
US$	**12,704**	7,526

28. TRADE PAYABLES

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

	2013 HK$'000	2012 HK$'000
0-60 days	466,216	270,099
61-90 days	26,048	14,855
Over 90 days	18,310	9,427
	510,574	294,381

The credit period for purchase of goods is 30-120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit periods granted.

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

	2013 HK$'000	2012 HK$'000
HK$	13,433	11,636
RMB	–	1
US$	4,081	5,263
CAD	–	4

29. OTHER PAYABLES AND ACCRUALS

	2013 HK$'000	2012 HK$'000
Other payables	62,034	49,772
Accruals	73,096	65,245
Deposits received from customers	8,507	31,427
Others	6,819	7,335
	150,456	153,779

30. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank loans	**1,858,315**	1,247,200
Bills discounted with recourse and debts factored with recourse	**441,372**	361,064
Import loans, export loans and trust receipts loans	**465,850**	316,484
Mortgage loans	**30,439**	32,468
	2,795,976	1,957,216
Analysed as:		
– secured	**341,403**	287,853
– unsecured	**2,454,573**	1,669,363
	2,795,976	1,957,216
Carrying amounts of bank loans that do not contain repayment on demand clause and repayable (note):		
Within one year	**584,218**	665,170
In more than one year but not more than two years	**406,320**	484,526
In more than two years but not more than three years	**617,592**	–
Sub-total	**1,608,130**	1,149,696
Carrying amounts of bank loans that contain repayment on demand clause and repayable (note):		
Within one year	**1,157,101**	773,460
In more than one year but not more than two years	**3,347**	3,303
In more than two years but not more than three years	**3,281**	3,341
In more than three years but not more than four years	**2,184**	3,276
In more than four years but not more than five years	**2,224**	2,181
In more than five years	**19,709**	21,959
Sub-total (shown under current liabilities)	**1,187,846**	807,520
Total	**2,795,976**	1,957,216
Less: Amounts shown as current liabilities	**(1,772,064)**	(1,472,690)
Amounts shown as non-current liabilities	**1,023,912**	484,526

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

30. BANK BORROWINGS (continued)

The above includes syndicated loans of HK$1,316,726,000 (2012: HK$742,400,000) which bears interest at HIBOR plus 2.93% per annum or London Interbank Offer Rate ("LIBOR") plus 2.93% per annum with a tenure of 2 years (2012: HIBOR plus 1.8% per annum with a tenure of 4 years). The Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 0.85% to 2.70% per annum, LIBOR plus 0.85% to 2.93% per annum or the PBOC Prescribed Rate times 1.1 to 1.2 per annum for both years. The range of effective interest rates of the Group's bank borrowings are 1.05% to 7.28% per annum (2012: 1.04% to 7.98% per annum).

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

	2013 HK$'000	2012 HK$'000
HK$	**17,806**	23,722
US$	**543,271**	53,606

31. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2011, 31 March 2012 and 31 March 2013	**40,000,000,000**	**400,000**
Issued and fully paid:		
As at 1 April 2011	1,222,554,473	12,226
Issue of shares as consideration for the acquisition of subsidiaries (note 35)	257,584,430	2,575
Issue of shares pursuant to scrip dividend scheme for 2011 final dividend (note i)	31,038,250	311
Issue of shares pursuant to scrip dividend scheme for 2012 interim dividend (note ii)	36,179,513	362
As at 31 March 2012	1,547,356,666	15,474
Issue of shares pursuant to scrip dividend scheme for 2012 final dividend (note iii)	40,240,330	402
Issue of shares pursuant to scrip dividend scheme for 2013 interim dividend (note iv)	35,241,593	352
As at 31 March 2013	**1,622,838,589**	**16,228**

31. SHARE CAPITAL (continued)

notes:

(i) On 21 October 2011, the Company issued and allotted a total of 31,038,250 shares of HK$0.01 each at an issue price of HK$0.8702 each in lieu of cash for the 2011 final dividends pursuant to the scrip dividend circular to shareholders dated 16 September 2011. These shares ranked pari passu in all respects with the then existing shares.

(ii) On 2 March 2012, the Company issued and allotted a total of 36,179,513 shares of HK$0.01 each at an issue price of HK$0.7182 each in lieu of cash for the 2012 interim dividends pursuant to the scrip dividend circular to shareholders dated 13 January 2012. These shares ranked pari passu in all respects with the then existing shares.

(iii) On 26 October 2012, the Company issued and allotted a total of 40,240,330 shares of HK$0.01 each at an issue price of HK$0.7334 each in lieu of cash for the 2012 final dividends pursuant to the scrip dividend circular to shareholders dated 21 September 2012. These shares ranked pari passu in all respects with the then existing shares.

(iv) On 5 March 2013, the Company issued and allotted a total of 35,241,593 shares of HK$0.01 each at an issue price of HK$0.7258 each in lieu of cash for the 2013 interim dividends pursuant to the scrip dividend circular to shareholders dated 17 January 2013. These shares ranked pari passu in all respects with the then existing shares.

On 5 February 2013, the Company issued 50,000,000 unlisted warrants to independent placees at an issue price of HK$0.01 per warrant. Each warrant can subscribe for one share of the Company at an exercise price of HK$0.89 per Share, subject to anti-dilutive adjustment. The proceeds from the issue was HK$500,000. The exercise period of the warrants is 12 months from their date of issue.

No warrant was exercised during the year ended 31 March 2013.

32. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme of the Company

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

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2001 Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the 2001 Scheme and any other share option scheme of the Group) to be granted under the 2001 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the Adoption Date. Such 10% limit may be refreshed, subject to specific approval by the Shareholders, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the Shareholders, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2001 Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

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

The 2001 Scheme expired on 29 November 2011. A new share option scheme was approved and adopted by the Company pursuant to an ordinary resolution passed on 15 March 2011 (the “2011 Scheme”).

The terms of the 2011 Scheme and the 2001 Scheme are broadly similar. The 2011 Scheme is effective for a period of 10 years.

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

Category	Date of grant	Exercise price HK$	Exercisable period	Number of option shares: Outstanding at 1.4.2011	Lapsed during the year	Outstanding at 31.3.2012	Granted during the year	Lapsed during the year	Outstanding at 31.3.2013
Directors									
Mr. Li Ming Hung	9 October 2003	2.85	9.10.2004-29.11.2011	533,246	(533,246)	–	–	–	**-**
	4 June 2004	2.95	7.6.2004-29.11.2011	1,066,491	(1,066,491)	–	–	–	**-**
	2 April 2012	0.782	2.4.2012-1.4.2017	–	–	–	1,200,000	–	**1,200,000**
Mr. Chen Tien Tui	9 October 2003	2.85	9.10.2004-29.11.2011	533,246	(533,246)	–	–	–	**-**
	4 June 2004	2.95	7.6.2004-29.11.2011	1,066,491	(1,066,491)	–	–	–	**-**
	2 April 2012	0.782	2.4.2012-1.4.2017	–	–	–	1,200,000	–	**1,200,000**
Mr. Lee Yuen Chiu, Andy	23 May 2003	2.20	27.5.2003-29.11.2011	1,599,736	(1,599,736)	–	–	–	**-**
	9 October 2003	2.85	9.10.2004-29.11.2011	3,732,719	(3,732,719)	–	–	–	**-**
	4 June 2004	2.95	7.6.2004-29.11.2011	4,265,964	(4,265,964)	–	–	–	**-**
	2 April 2012	0.782	2.4.2012-1.4.2017	–	–	–	5,000,000	–	**5,000,000**
Mr. Choi Lin Hung	23 May 2003	2.20	27.5.2003-29.11.2011	1,599,736	(1,599,736)	–	–	–	**-**
	9 October 2003	2.85	9.10.2004-29.11.2011	3,732,719	(3,732,719)	–	–	–	**-**
	4 June 2004	2.95	7.6.2004-29.11.2011	4,265,964	(4,265,964)	–	–	–	**-**
	2 April 2012	0.782	2.4.2012-1.4.2017	–	–	–	12,000,000	–	**12,000,000**
Employees	23 May 2003	2.20	27.5.2003-29.11.2011	24,635,947	(24,635,947)	–	–	–	**-**
	9 October 2003	2.85	9.10.2004-29.11.2011	29,435,154	(29,435,154)	–	–	–	**-**
	4 June 2004	2.95	7.6.2004-29.11.2011	31,888,085	(31,888,085)	–	–	–	**-**
	2 April 2012	0.782	2.4.2012-1.4.2017	–	–	–	100,600,000	(450,000)	**100,150,000**
				108,355,498	(108,355,498)	–	120,000,000	(450,000)	**119,550,000**
Exercisable at the end of the year				108,355,498		–			**119,550,000**
Weighted average exercise price (HK$)				2.72	2.72	–	0.782	0.782	**0.782**

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

On 2 April 2012, the Company granted 120,000,000 new share options to the eligible directors and eligible employees under the 2011 Scheme. The exercise price of the options granted is HK$0.782 per share while the closing price of the Share immediately before the date of grant is HK$0.760. These options were immediately vested and are exercisable for a period up to the 5th anniversary of the date of grant. The fair value of these options was determined to be HK$0.2358 per option, arrived at using the Binomial Model with the following variables and assumptions:

Grant date Share price	HK$0.770
Exercise price	HK$0.782
Suboptimal exercise factor	1.8
Expected volatility	56.45%
Expected life	5 years
Expected dividend yield	6.00%
Risk free rate	0.60%

The variables and assumptions used above were based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Expected volatility was determined based on historical volatility of the price of the Shares.

The fair value of the share option granted was approximately HK$28,300,000 and the amount was fully recognised as share-based payment expense during the year ended 31 March 2013.

(b) Share Option Scheme of FGG

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

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

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

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme of FGG (continued)

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

					Number of share options						
Category	Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.4.2011	Granted during the year	Lapsed during the year	Outstanding at 31.3.2012	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2013
Directors of FGG											
Mr. Lau Kwok Wa, Stanley	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	5,350,000	–	–	5,350,000	–	–	**5,350,000**
Mr. Ng Tze On	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	5,350,000	–	–	5,350,000	–	–	**5,350,000**
Employees of FGG											
Mr. Ng Tsze Lun	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	21,000,000	–	–	21,000,000	–	–	**21,000,000**
(note i)	27 April 2011	27.4.2011-26.4.2013	0.844	27.4.2013-26.4.2016	–	37,000,000	–	37,000,000	–	–	**37,000,000**
Other employees	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	9,550,000	–	(700,000)	8,850,000	(120,000)	(650,000)	**8,080,000**
(note ii)	27 April 2011	27.4.2011-26.4.2013	0.844	27.4.2013-26.4.2016	–	5,920,000	(455,000)	5,465,000	–	(385,000)	**5,080,000**
					41,250,000	42,920,000	(1,155,000)	83,015,000	(120,000)	(1,035,000)	**81,860,000**
Exercisable at the end of the year					–			–			**39,780,000**

notes:

(i) The grant of the share options to Mr. Ng Tsze Lun was approved by shareholders in a special general meeting of FGG held on 27 April 2011.

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

(iii) In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.788.

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme of FGG (continued)

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

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

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

	Date of Grant 27 April 2011
Share price at date of grant	HK$1.13
Exercise price	HK$0.844
Suboptimal exercise factor	1.8
Expected volatility	64%
Expected life	5 years
Expected dividend yield	2%
Risk free rate	1.74%

The fair value of the grant was approximately HK$24,600,000. The Group recognised a share-based payment expense of approximately HK$12,060,000 for the year ended 31 March 2013 with reference to the vesting period (2012: HK$11,156,000).

33. DEFERRED TAXATION

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

	2013 HK$'000	2012 HK$'000
Deferred tax assets	**1,835**	1,899
Deferred tax liabilities	**(86,872)**	(88,821)
	(85,037)	(86,922)

33. DEFERRED TAXATION (continued)

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

	Fair value adjustments on prepaid lease payments and property, plant and equipment arising on business combination	Accelerated tax and accounting depreciation	Tax losses	Dividend withholding tax	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2011	–	(734)	(300)	9,014	(216)	7,764
Acquisition of subsidiaries (note 35)	79,296	–	–	–	–	79,296
Exchange differences	–	–	–	7	–	7
(Credit) charge to profit or loss	(2,309)	(21)	300	4,231	(2,346)	(145)
At 31 March 2012	76,987	(755)	–	13,252	(2,562)	86,922
Exchange differences	–	–	–	8	–	8
(Credit) charge to profit or loss	(3,464)	(331)	–	1,633	269	(1,893)
At 31 March 2013	**73,523**	**(1,086)**	**–**	**14,893**	**(2,293)**	**85,037**

At the end of the reporting period, the Group had unused tax losses of approximately HK$30,477,000 (2012: HK$9,140,000) available for offset against future profits. No tax loss was expired during the current period (2012: HK$18,629,000). No deferred tax asset on the unused tax losses of HK$30,477,000 (2012: HK$9,140,000) has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

The Group also had deductible temporary difference of approximately HK$60,978,000 (2012: HK$62,301,000) in respect of accelerated accounting depreciation. A deferred tax asset has been recognised to the extent of HK$6,582,000 (2012: HK$4,576,000). No deferred tax asset has been recognised in respect of the remaining deductible temporary difference of HK$54,396,000 (2012: HK$57,725,000) due to the unpredictability of future profit streams.

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

34. MAJOR NON-CASH TRANSACTIONS

(i) The consideration of the Global Honour Acquisition (as defined in note 35) was satisfied by an issuance of 257,584,430 ordinary shares of the Company. Details of the transaction are set out in note 35.

(ii) Detail of scrip dividends in lieu of cash are set out in note 31.

35. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Global Honour Investments Limited ("Global Honour")

On 29 July 2011, the Group completed its acquisition of the entire equity interest in Global Honour, an investment holding company, from Time View Investments Limited ("Time View") (the "Global Honour Acquisition").

The issued share capital of Time View is indirectly owned as to 50% each by (i) a discretionary trust whose beneficiaries are the family members of Mr. Li Ming Hung and (ii) a discretionary trust whose beneficiaries are the family members of Mr. Chen Tien Tui. Both Mr. Li Ming Hung and Mr. Chen Tien Tui are Directors who have significant influence over the Company.

Global Honour owns the entire equity interest in Nanjing Synergy Textiles Limited ("Nanjing Synergy") which is a company established in the PRC and engaged in the manufacture and sales of yarn.

In the opinion of the Directors, the Global Honour Acquisition would provide the Group an opportunity to gain access to the upstream operation of its production line.

(b) Acquisition of Global Trend Investments Limited ("Global Trend")

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

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

In the opinion of the Directors, the Global Trend Acquisition would provide the Group an opportunity to expand its production capacity.

35. ACQUISITION OF SUBSIDIARIES (continued)

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

Consideration transferred

	Notes	Global Honour HK$'000	Global Trend HK$'000	Total HK$'000
Cash consideration paid		–	4,000	4,000
Consideration payable	(i)	–	3,500	3,500
Share consideration	(ii)	298,205	–	298,205
		298,205	7,500	305,705
Fair value of assets and liabilities recognised at the date of acquisition				
Non-current assets				
Property, plant and equipment		451,562	10,226	461,788
Prepaid lease payments		164,367	–	164,367
Other assets		7,124	–	7,124
Current assets				
Prepaid lease payments		3,252	–	3,252
Bank balance and cash		21,139	2,293	23,432
Trade and other receivables	(iii)	15,152	10,204	25,356
Inventories		163,754	74	163,828
Current liabilities				
Trade and other payables		(171,872)	(15,726)	(187,598)
Taxation payable		(5,544)	–	(5,544)
Bank borrowings – amount due within one year		(186,386)	–	(186,386)
Non-current liabilities				
Deferred tax liabilities		(79,296)	–	(79,296)
		383,252	7,071	390,323
Gain of bargain purchase	(iv)	85,047	–	85,047
Goodwill arising on acquisition	(v)	–	429	429
Net cash inflow (outflow) arising on acquisition				
Cash consideration paid		–	(4,000)	(4,000)
Less: Cash and cash equivalents acquired		21,139	2,293	23,432
		21,139	(1,707)	19,432

35. ACQUISITION OF SUBSIDIARIES (continued)

notes:

(i) The consideration payable was fully paid in April 2012.

(ii) The consideration was satisfied by an issuance of 257,584,430 Shares. These Shares could not be transferred within one year from the date of issue without written consent of the Company. The fair value of these Shares was arrived at based on the market price of the Company's freely tradable shares as at the date of the acquisition and discounted by 14.87% to take into account of the effect of the restriction on transfer.

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

(iv) The gain on bargain purchase on the Global Honour Acquisition was mainly attributable to the decline in market price of the consideration Shares from the date of entering the conditional sale and purchase agreement to the date of completion of the Global Honour Acquisition.

(v) The goodwill is attributable to the potential benefits to be derived from an additional offshore manufacturing outlet. None of the goodwill arising on the acquisition was deductible for tax purposes.

(vi) Acquisition-related costs of HK$2,096,000 have been excluded from the cost of acquisitions and have been recognised directly as an expense in the year and included in the "other expenses" line item in the consolidated statement of comprehensive income.

(vii) Included in the revenue and profit for the year ended 31 March 2012 HK$157,029,000 and HK$6,339,000, respectively attributable to Global Honour and its subsidiary. The revenue and loss for the year attributable to Global Trend and its subsidiary were negligible.

Had the acquisition been effected on 1 April 2011, the revenue and the profit for the Group for the year ended 31 March 2012 would have been HK$3,910,149,000 and HK$355,929,000 respectively. This pro forma information is for illustration purpose only and is not necessarily an indication of the Group's revenue and results of operations that would actually have been achieved had the acquisitions been completed on 1 April 2011, nor is intended to be a projection of future results. In determining the above pro forma revenue and profit of the Group, the directors calculated depreciation of property, plant and equipment and release of prepaid lease payment based on the recognised amounts of property, plant and equipment and prepaid lease payments at the dates of the acquisitions.

(viii) As disclosed in Note 39(ii), Nanjing Synergy has been a supplier to the Group. Accordingly, intragroup revenue and profit between Nanjing Synergy and the Group was excluded from above.

36. PLEDGE OF ASSETS

As at 31 March 2013, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2013 **HK$'000**	2012 HK$'000
Property, plant and equipment	**162,197**	165,806
Investment property	**32,000**	31,000
Prepaid lease payments	**211,390**	218,011
Other assets	**7,124**	7,124
	412,711	421,941

37. COMMITMENTS

(i) Capital commitments

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	**84,514**	60,717

(ii) Operating lease commitments

The Group as lessee

	2013 HK$'000	2012 HK$'000
Minimum lease payments paid under operating leases in respect of office premises and warehouses during the year	**11,981**	8,316

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

	2013 HK$'000	2012 HK$'000
Within one year	**13,324**	6,702
In the second to fifth year inclusive	**14,068**	14,712
	27,392	21,414

Leases are negotiated for terms ranging from one to five years and rental is fixed throughout the lease period and the operating lease payment represents rental payable by the Group for its office premises and warehouse.

Included in the above are lease commitment to related parties of HK$954,000 (2012: HK$108,000) and the relevant expenses for the year is disclosed in note 39(i).

38. INFORMATION OF FINANCIAL POSITION OF THE COMPANY

The following is a condensed statement of financial position of the Company as at 31 March 2013:

	2013 HK$'000	2012 HK$'000
Investments in subsidiaries	**2,512,334**	2,284,334
Amounts due from subsidiaries	**206,650**	249,712
Others	**894**	641
	2,719,878	2,534,687
Other payables	**2,102**	1,737
Amount due to subsidiaries	**1,632**	1,632
	3,734	3,369
	2,716,144	2,531,318
Capital and reserves:		
Share capital	**16,228**	15,474
Reserves (note)	**2,699,916**	2,515,844
	2,716,144	2,531,318

note:

Reserves

	Share premium HK$'000	**Capital redemption reserve** HK$'000	**Share option reserve** HK$'000	**Warrant reserve** HK$'000	**Dividend reserve** HK$'000	**Accumulated profits** HK$'000	**Total** HK$'000
At 1 April 2011	1,239,774	39	–	–	–	876,250	2,116,063
Profit for the year	–	–	–	–	–	148,816	148,816
2011 Final dividend declared	–	–	–	–	48,903	(48,903)	–
2012 Interim dividend declared costs	–	–	–	–	48,083	(48,083)	–
Issue of shares as consideration for acquisition of subsidiaries	295,630	–	–	–	–	–	295,630
Issue of shares under scrip dividend for 2011 final	26,699	–	–	–	(27,010)	–	(311)
Issue of shares under scrip dividend for 2012 interim	25,622	–	–	–	(25,984)	–	(362)
Dividends paid in cash	–	–	–	–	(43,992)	–	(43,992)
At 31 March 2012	1,587,725	39	–	–	–	928,080	2,515,844
Loss for the year	–	–	–	–	–	171,372	171,372
2012 Final dividend declared	–	–	–	–	38,684	(38,684)	–
2013 Interim dividend declared costs	–	–	–	–	31,752	(31,752)	–
Issue of shares under scrip dividend for 2012 final	29,110	–	–	–	(29,512)	–	(402)
Issue of shares under scrip dividend for 2013 interim	25,226	–	–	–	(25,578)	–	(352)
Dividends paid in cash	–	–	–	–	(15,346)	–	(15,346)
Recognition of equity-settled share-based payments by the Company	–	–	28,300	–	–	–	28,300
Lapse of share option	–	–	(106)	–	–	106	–
Issue of unlisted warrants	–	–	–	500	–	–	500
At 31 March 2013	**1,642,061**	**39**	**28,194**	**500**	**–**	**1,029,122**	**2,699,916**

39. RELATED PARTY DISCLOSURES

Other than the Global Honour Acquisition as disclosed in note 35, the Group entered into the following transactions with related parties:

(i) During the year ended 31 March 2013, the Group paid operating lease rental of approximately HK$108,000 (2012: HK$108,000) to Verdure Enterprises Limited ("Verdure"). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the year ended 31 March 2013, the Group paid operating lease rental of approximately HK$438,000 (2012: nil) to Win Most Development Limited ("Win Most"). Win Most is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the year ended 31 March 2013, the Group paid operating lease rental of approximately HK$408,000 (2012: nil) to Rich Trade Development Limited ("Rich Trade"). Rich Trade is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

The payment of the above operating lease rentals constitute exempted connected transactions under Chapter 14A of the Listing Rules.

(ii) During the year ended 31 March 2012 and prior to the Global Honour Acquisition (note 35), the Group purchased yarn from Nanjing Synergy in the amount of HK$154,857,000. As at the date of the Global Honour Acquisition, the Group also placed an amount of HK$60,253,000 at Nanjing Synergy as a purchase deposit.

Nanjing Synergy was a related party to the Group prior to the Global Honour Acquisition.

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

	2013 **HK$'000**	2012 HK$'000
Short-term benefits	**21,665**	17,804
Share-based payments	**5,286**	–
Post employment benefits	**265**	250
	27,216	18,054

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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage: Attributable to the Group 2013	Attributable to the Group 2012	Held by the Company 2013	Held by the Company 2012	Held by subsidiaries 2013	Held by subsidiaries 2012	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macau	Quota Capital MOP100,000	**100**	100	**-**	–	**100**	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	**100**	100	**-**	–	**100**	100	Trading of dyed yarn
Elite Sound Investments Limited	Hong Kong	Ordinary HK$1	**100**	100	**-**	–	**100**	100	Investment holding
Ford Glory Holdings Limited (note vi)	British Virgin Islands	Ordinary US$100	**37.3**	37.3	**-**	–	**100**	100	Investment holding
FGG (note v)	Bermuda	Ordinary HK$4,381,200	**37.3**	37.3	**-**	–	**72.5**	72.5	Investment holding
Ford Glory International Limited (note vi)	Hong Kong	Ordinary HK$5,000,000	**37.3**	37.3	**-**	–	**100**	100	Trading of garment products
Global Honour	British Virgin Islands	Ordinary US$1	**100**	100	**-**	–	**100**	100	Investment holding
Glory Time Limited (note vi)	Hong Kong	Ordinary HK$100	**26.1**	26.1	**-**	–	**70**	70	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	**100**	100	**-**	–	**100**	100	Provision of management services

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage: Attributable to the Group 2013	Attributable to the Group 2012	Held by the Company 2013	Held by the Company 2012	Held by subsidiaries 2013	Held by subsidiaries 2012	Principal activities
PT. Victory Apparel Semarang (note vi)	Indonesia	Ordinary US$300,000	**37.3**	37.3	**-**	–	**100**	100	Manufacture of garment products
Sure Strategy Limited	British Virgin Islands	Ordinary US$100	**51**	51	**-**	–	**51**	51	Investment holding
Value Plus (Macao Commercial Offshore) Limited (note vi)	Macau	Quota capital MOP100,000	**37.3**	37.3	**-**	–	**100**	100	Provision of quality inspection services
Victory Apparel (Jordan) Manufacturing Company Limited (note vi)	Jordan	Ordinary JD50,000	**37.3**	37.3	**-**	–	**100**	100	Manufacture of garment products
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred (note i) HK$8,000,000	**100**	100	**-**	–	**100**	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary US$6	**100**	100	**100**	100	**-**	–	Investment holding
Victory City Investments Limited	British Virgin Islands	Ordinary US$1	**100**	100	**100**	100	**-**	–	Investment holding
Victory City Overseas Limited ("VCOL")	British Virgin Islands	Ordinary US$2 Preference US$3,300 (note ii)	**100**	100	**-**	–	**100**	100	Investment holding
江門市新會區冠華針織廠有限公司("Xinhui Victory City") (note iii)	PRC	US$20,944,510	**100**	100	**-**	–	**100**	100	Knitting, dyeing and finishing of fabric

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage: Attributable to the Group 2013	Attributable to the Group 2012	Held by the Company 2013	Held by the Company 2012	Held by subsidiaries 2013	Held by subsidiaries 2012	Principal activities
江門錦豐科技纖維有限公司 (note iii)	PRC	US$6,595,167	**100**	100	**-**	–	**100**	100	Dyeing of yarn and provision of related subcontracting services
江門冠暉制衣有限公司 (notes iii and vi)	PRC	Registered capital HK$31,260,000	**37.3**	37.3	**-**	–	**100**	100	Manufacture of garment products
福之源貿易(上海)有限公司 (notes iii and vi)	PRC	Registered capital RMB1,000,000	**37.3**	37.3	**-**	–	**100**	100	Trading of garment products and accessories
江門市冠達紡織材料有限公司	PRC	(note iv)	**90**	60	**-**	–	**90**	60	Mixing of chemicals and production of resin
Nanjing Synergy (note iii)	PRC	Registered capital US$39,000,000	**100**	100	**-**	–	**100**	100	Manufacture and sales of yarn

notes:

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

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

(iii) These companies are wholly foreign owned enterprise incorporated in the PRC with limited liability.

(iv) The company is a co-operative joint venture established in the PRC. The verified paid up registered capital of 江門市冠達紡織材料有限公司 was approximately RMB31,100,000 as at 31 March 2013 (2012: RMB15,000,000).

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

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

None of the subsidiaries had any debt securities subsisting at 31 March 2013 or at any time during the year.

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

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