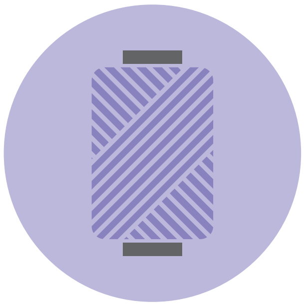
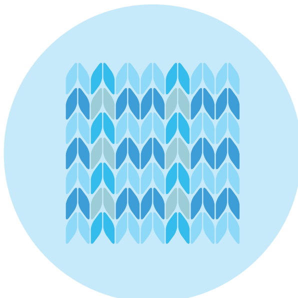
VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司
stock code 股份代號：539

ANNUAL REPORT 2014 年報



Dyed Yarn



Knitted Fabric

Garment Business

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
United Overseas Bank Limited
CTBC Bank Co., Ltd.
Rabobank International
China Construction Bank (Jiangmen Xinhui Sub-branch)
Bank of China (Jiangmen Xinhui Sub-branch)
Bank of America, N.A.
Wing Lung Bank Limited
Banco Bilbao Vizcaya Argentaria, S.A.
Industrial Bank of Taiwan Co., Ltd.
DBS Bank (Hong Kong) Limited
Australia and New Zealand Banking Group Limited
Wing Hang Bank, Limited
Cathay United Bank Company, Limited
Banco Comercial De Macau, S.A.

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
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

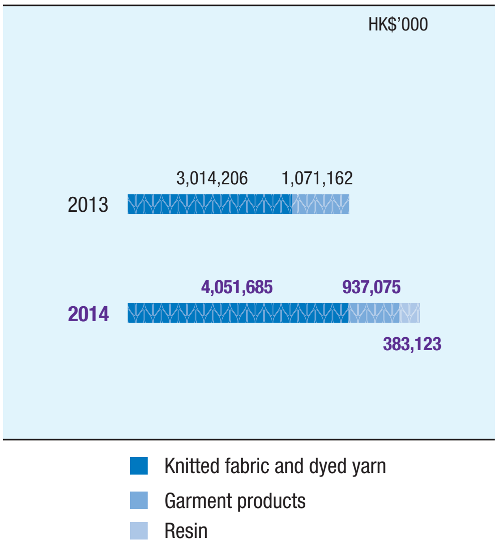
	Year ended 31 March				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Revenue	3,863,612	4,047,705	3,835,261	4,085,368	**5,371,883**
Profit before tax	369,901	369,983	373,642	231,327	**293,019**
Income tax expense	(32,325)	(21,765)	(26,509)	(23,512)	**(10,841)**
Profit for the year	337,576	348,218	347,133	207,815	**282,178**
Attributable to:					
Owners of the Company	314,627	334,015	341,249	205,767	**277,389**
Non-controlling interests	22,949	14,203	5,884	2,048	**4,789**
	337,576	348,218	347,133	207,815	**282,178**
Distributions	21,210	78,938	96,986	70,436	**92,856**

ASSETS AND LIABILITIES

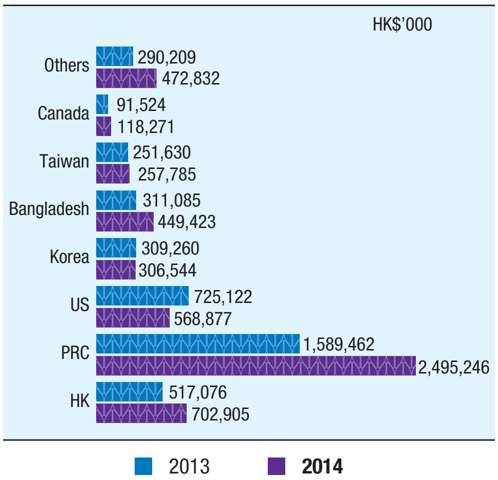
	At 31 March				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Total assets	5,704,997	6,494,536	7,244,923	8,555,645	**9,403,140**
Total liabilities	(2,484,945)	(2,513,218)	(2,586,485)	(3,644,441)	**(4,170,206)**
	3,220,052	3,981,318	4,658,438	4,911,204	**5,232,934**
Equity attributable to:					
Owners of the Company	3,077,840	3,757,446	4,421,909	4,661,973	**4,974,393**
Non-controlling interests	142,212	223,872	236,529	249,231	**258,541**
	3,220,052	3,981,318	4,658,438	4,911,204	**5,232,934**

Financial Highlights and Summary

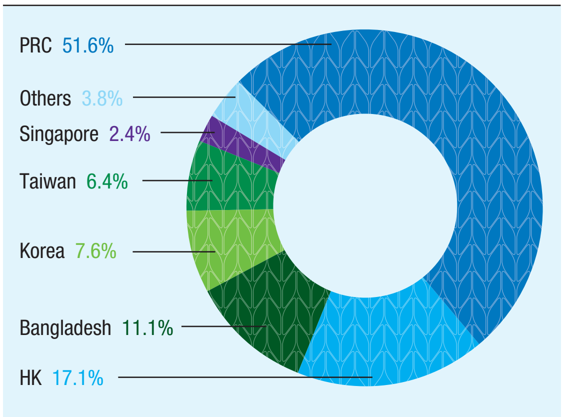
Revenue by
Business Segments



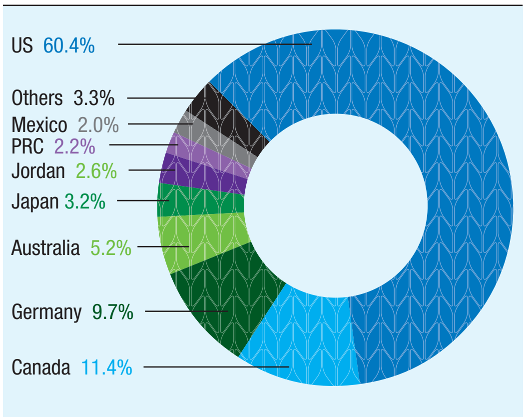
Revenue by
Geographical Segments



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 2014.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK4.0 cents per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31 March 2014 to shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 5 September 2014 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 2014.

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 Group experienced varied operating environment in the domestic and overseas textile and garment markets respectively. With the rapid growth in the past decade, the economy of the PRC saw a significant slowdown in the reporting period. On the other hand, the US market which is the Group's major market, has shown signs of recovery from the prolonged slow-down over the past few years. According to the Chinese Customs Statistics, the export value of China's textile products and garment products amounted to approximately US$106.9 billion and US$177.0 billion respectively for the year ended 31 December 2013. This represented an increase of about 11.7% and 11.3% from 2012 respectively. Yet, for the first three months ended 31 March 2014, China's export of textile products and garment products recorded a modest increase of 2.1% and a decrease of 0.6% over the same period last year, respectively. Despite that the global economy remained soft and fragile, the Group has been well-prepared to capture any opportunities arising from the market. During the reporting period, the Group aggressively attained overseas and domestic orders, thus fuelling an encouraging growth in the Group's revenue in the fiscal year compared to the same period last year.

For the year ended 31 March 2014, the consolidated revenue of the Group was approximately HK$5,372 million, representing a growth of approximately 31.5% in comparison to the previous fiscal year (2013: HK$4,085 million). Gross profit was approximately HK$874 million, representing an increase of approximately 16.4% from the previous year (2013: HK$751 million). Profit attributable to owners of the Company for the reporting period amounted to approximately HK$277 million, which included share option expenses of approximately HK$1 million, net gain on fair value changes of derivative financial instruments of approximately HK$3 million, net gain on fair value change of a restricted bank deposit of approximately HK$3 million, net loss on fair value change of an investment property of approximately HK$1 million and a one-off amortisation of bank arrangement fee of approximately HK$16 million. For the previous fiscal year, profit attributable to owners of the Company was 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. Hence, profit from core operation for the year ended 31 March 2014 was approximately HK$294 million after adjusting the above-mentioned non-operating gains and losses, representing an increase of approximately 36.7% from the previous year (2013: HK$215 million). Earnings per share was HK16.5 cents (2013: HK13.1 cents).

Textile Business

Production and sales of knitted fabric and dyed yarn remained as the Group's principal operation, accounted for approximately 75% of the Group's consolidated revenue for the year ended 31 March 2014. The remaining of approximately 18% and 7% were from the garment business and resin business respectively.

Thriving on its sound track record and solid foundation, the Group achieved satisfactory growth of order demand from both overseas and domestic market in light of the continuous consolidation in supply chain. In addition to a nearly full production capacity, the Group expanded its production capacity of knitted fabric by approximately 20% in November 2013 in its flagship production base in Xinhui, Guangdong, the PRC. This ensured that the Group had sufficient production capacity to accommodate new and recovered orders. At the same time, the Group also implemented a flexible pricing strategy to capture larger market share at this early stage of the economic recovery. Though this resulted in a slight decline of 2.5% year-on-year in the average selling price (the "ASP") of the knitted fabric and dyed yarn products, the Group's production volume increased by approximately 34.5% and that compensated the lower ASP impact, thus contributed to the Group's revenue growth for the fiscal year.

Facing the rising costs in the PRC, the operating environment for textile and garment manufacturing was noticeably difficult. Being one of the leading knitted textile and garment manufacturers in the world, the Group was able to leverage its production volume and scale to lower the manufacturing overheads. The Group also implemented stringent cost control measures and streamlined the production process to enhance productivity and efficiency whilst reducing wastages. The optimisation of production had proved successful. During the reporting period, the increase in production output contributed to an improvement of 38.5% year-on-year in operating profit of this segment.

Garment Business

For the year ended 31 March 2014, revenue of the Group's garment segment decreased by approximately 12.5% to HK$937 million. This was mainly attributable to (i) downsizing of PRC factory due to slow-down in PRC domestic market and higher operating cost; and (ii) the slowdown in business of a joint venture between the Group and a denim casual wear brand in the US. After two years of under-performance of the joint-venture, the Group decided to stop the collaboration in order to contain losses.

The Group has four garment production bases around the globe, located namely in the PRC, Cambodia, Indonesia and Jordan. The Group's plant in Cambodia enjoys preferential tariff from the European Union and Canada while the one in Jordan entitles to free import duty to the US. Together with the plants in the PRC and Indonesia, the Group's geographically diversified production network enables us to tackle macro volatility as well as being strategically flexible in receiving orders. This allows us to exploit the respective competitive advantages of each production base and thus enhance efficiency and profitability.

Chairman's Statement

During the year ended 31 March 2014, the segment's order books remained solid, with a steady inflow of orders from brand-name customers. Amongst all, the Jordan and Indonesia production bases recorded the most noticeable growth. The duty-free privilege of the Jordan plant has drawn in a good amount of order. This coupled with the contribution made by the expanded capacity during the second half of the year, facilitated its revenue to increase steadily. The Indonesia plant has also attracted a satisfactory volume of orders from the US, the Group's major export market. In the year, Indonesian Rupiah's depreciation against the US Dollar made the Indonesia plant even more competitive in pricing. The increasingly sophisticated workmanship of these plants helped the Group in retaining reputable brand-name customers and their loyalty. With the synergy generated amongst the production bases and the Group's planned capacity expansion plan, the Group is confident in capturing further the upcoming opportunities from the economic recovery in its major export markets.

Resin Business

Sharing the Group's production base in Xinhui, the resin manufacturing business utilised the Group's existing licenses and facilities to expand its source of revenue. Following the trial production commenced in the first half of the fiscal year, the Group continued to optimise and fine-tune the production process to cater for the customer needs of the local artificial marble manufacturing market. With the relatively longer initial ramp-up period and the lengthy implementation of series of more environmental-friendly production procedures, the output was not up to initial expectation. With the certain and positive demand from the existing customer network, the resin business is expected to bring positive contribution to the Group's after the technical enhancement of the facilities.

Major Movements

A HK$1,988 million syndicated loan obtained

On 28 February 2014, the Group obtained a syndicated loan facility of HK$1,988 million for a term of three and a half years from a syndicate of 19 international and regional banks, at an interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 2.44% per annum. The loan was mainly used for refinancing the syndicated loan of HK$1,388 million obtained in 2012 and for general working capital. With the loan in place, the Board is confident in pursuing the Group's business objectives and future expansion plans.

Proposed share sale of Ford Glory Group Holdings Limited ("FGG", stock code: 1682.HK) and acquisition of the garment manufacturing business of FGG

On 14 March 2014, Sure Strategy Limited ("Sure Strategy", the Company's beneficially-owned subsidiary), Merlotte Enterprise Limited ("Merlotte") and Victory City Investments Limited ("VC Investments", the Company's direct wholly-owned subsidiary) had conditionally agreed to sell the aggregate interest of 320,000,000 shares of FGG (approximately 61.56% of the entire issued share capital of FGG on a fully-diluted basis) to Unitech Enterprises Group Limited ("Unitech") at an aggregate consideration of HK$258,560,000 or HK$0.808 per FGG share (the "Share Sale"). This constitutes a discloseable and connected transaction for the Company and is therefore subject to the independent shareholders' approval of the Company in the coming special general meeting to be held on 10 July 2014.

To fulfill one of the conditions precedent to the Share Sale of which Unitech would only take over the garment sourcing business of the Company, Sure Strategy agreed to acquire and FGG agreed to dispose of its garment manufacturing business for HK$270,000,000 in cash (the "Acquisition"). Since Sure Strategy is owned as to 51% by the Company, the Company will be able to retain the garment manufacturing business in the Group to complement its existing textile business upon completion. This constitutes a discloseable and connected transaction for the Company and a very substantial disposal for FGG. Therefore, the Acquisition is subject to the approval of both the Company's independent shareholders and FGG's independent shareholders in their coming special general meetings to be held on 10 July 2014.

Chairman's Statement

PROSPECTS

Looking into 2014/2015, the Group is cautiously optimistic about the industry outlook since the latest market data showed encouraging upward trend spurred by the improving global economy and domestic "mini-stimulus" campaign. In May 2014, the total export value of the textile and garment products increased by 8.7% year-on-year to US$25.0 billion, whereas the accumulative export value for the first five months in 2014 grew by 3.6% year-on-year to US$106.8 billion, according to the Chinese Customs Statistics. There is no doubt that the operating environment of textile and garment market in the PRC will remain tough. Nevertheless, being one of the leading textile and garment players in the region, the Group will continue to take advantage of the consolidation of suppliers and maximise its market share in due course, by absorbing the recovered orders and new clients. Continuous optimisation in production lines and cost-efficient labor allocation will be another key priority to help the Group to stay competitive and resilient. The Group will put extra focus on enhancing production efficiency and realising the value of economy of scale. To sustain last year's growth momentum, the Group will rigorously assess the order book and timely increase its production capacity to match the improving market demand.

As the cotton stockpiling policy of the Chinese government had come to an end in March 2014, the domestic cotton price is expected to normalise progressively. The Group expects that the value of its upstream yarn spinning business will be gradually resumed by internally supplying certain amount of quality yarn to the Group's textile production. Coupled with its promising downstream garment operations offshore, the Group's vertically integrated operation will certainly bring synergy and cost benefits to the Group, thus reinforcing the Group's position in the industry and creating greater values for its shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude towards all our management and staff for their diligence and contribution over the past year, and my appreciation to our customers, bankers, suppliers, business partners and shareholders for their continuous support and trust to the Group.

Li Ming Hung
Chairman

Hong Kong
27 June 2014

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2014 increased by approximately 31.5% to approximately HK$5,372 million. Revenue of production and sale of knitted fabric and dyed yarn increased significantly by approximately 34.4% to approximately HK$4,052 million, representing approximately 75.4% of the consolidated revenue whereas revenue of garment sourcing, manufacturing and exporting business was approximately HK$937 million, dropped by approximately 12.5% as compared with last year and representing approximately 17.5% of the consolidated revenue. The Group has commenced production and sale of resin from April 2013 and recorded revenue of approximately HK$383 million, representing approximately 7.1% of the consolidated revenue.

During the year under review, the Group achieved continuous growth in the textile business with increased demand from both overseas and domestic market. The production capacity of knitted fabric was enhanced by approximately 20% during the second half of the financial year in order to capture new orders. The average selling price of textile product was slightly declined which led to the decrease in gross profit margin. However, the increased production output achieved economy of scales which brought improvement in the net profit margin of the Group.

Other income mainly composed of interest income of approximately HK$38.1 million (2013: HK$34.5 million) and sample and scrap sales of approximately HK$13.9 million (2013: HK$0.4 million).

Other gains and losses mainly composed of the fair value changes of derivative financial instruments. For the year ended 31 March 2014, there was a net gain of approximately HK$2.8 million (2013: HK$24.0 million).

Distribution and selling expenses increased from approximately HK$89.0 million in 2013 to approximately HK$127.3 million in 2014 as a result of the increase in total consolidated revenue for the year ended 31 March 2014.

Finance costs increased from approximately HK$102.8 million in 2013 to approximately HK$113.2 million in 2014, 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$38.1 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 2014, the Group had total assets of approximately HK$9,403 million (2013: HK$8,556 million) which were financed by current liabilities of approximately HK$2,807 million (2013: HK$2,534 million), long term liabilities of approximately HK$1,364 million (2013: HK$1,111 million) and shareholders' equity of approximately HK$4,974 million (2013: HK$4,662 million). The current ratio was approximately 2.1 (2013: 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 38.1% (2013: 22.0%). 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 ("HK$"), Renminbi ("RMB") and US dollars ("US$"). The fluctuations in the US$ and RMB have always been the concern of the Group. In order to mitigate the foreign currency risk, the Group had entered into appropriate hedging arrangements in accordance with the Group's risk management policies.

Capital Expenditure

During the year, the Group invested approximately HK$444 million on additions to property, plant and equipment.

As at 31 March 2014, the Group had capital commitments of approximately HK$107 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 2014, certain property, plant and equipment, prepaid lease payments and investment property of the Group with net book value of approximately HK$402 million (2013: HK$413 million) were pledged to banks to secure banking facilities granted.

Employee Information

As at 31 March 2014, the total number of employees of the Group were approximately 1,160 in Cambodia, approximately 1,570 in Jordan, approximately 970 in Indonesia, approximately 5,890 in the PRC and approximately 150 in Hong Kong, Macau and other places. Remuneration packages are generally structured with 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 17.1% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 5.8%.

Purchase from the five largest suppliers of the Group accounted for approximately 15.8% of the total purchases for the year and purchase from the largest supplier included therein accounted for approximately 3.6%.

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 63, is the Chairman of the Company and a co-founder of the Group. He has over 37 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 65, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 35 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 49, is an executive Director. He has over 28 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 52, 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.

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 63, is an independent non-executive Director. Mr. Kan 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 66, is an independent non-executive Director. Mr. Phaisalakani graduated from Minnesota State University at Mankato, US and is a chartered accountant in Canada as well as a member of Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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. Phaisalakani retired from the positions of executive director and chief financial officer of Willas-Array Electronics (Holdings) Limited, a company listed on the Main Board of the Singapore Exchange Limited and the Main Board of the Stock Exchange in June 2013. Mr. Phaisalakani is an independent non-executive director of Eagle Ride Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange. He is also a senior consultant of Walker Group Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Phaisalakani joined the Group in 1996.

Mr. Kwok Sze Chi, aged 59, is an independent non-executive Director. Mr. Kwok 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 is an executive director of Bright Smart Securities & Commodities Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Kwok joined the Group in 2006.

SENIOR MANAGEMENT

Mr. Lee Chung Shing, aged 47, 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 HKICPA. Mr. Lee joined the Group in 1998 and has over 25 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 59, is the Marketing Director of Ford Glory International Limited ("FG International"). Mr. Ng joined the Group in 2001 and has over 38 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 60, is the Sales Manager of the Group. He has over 39 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 41, is the General Manager of Champion Forturne Asia Limited. Mr. Chan joined the Group in 2003 and is responsible for the sales and marketing function of the yarn dyeing segment. Mr. Chan is the son of Mr. Chen Tien Tui, the Chief Executive Officer of the Company.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2014.

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, garment products and resin. The principal activities of its principal subsidiaries are set out in Note 41 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45. The Directors recommend the payment of a final dividend of HK4.0 cents per Share, in cash with a scrip dividend option to the Shareholders whose names appear on the register of members on 5 September 2014 amounting to approximately HK$69,947,000. 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 2014, the register of members of the Company will be closed from 3 September 2014 to 5 September 2014 (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 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 2 September 2014.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$444,000,000 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 2014, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$1,184,922,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 32 to the consolidated financial statements.

WARRANTS

In order to raise further capital for the Company without having an immediate dilution effect on the shareholding of the then existing shareholders, on 5 February 2013, 50,000,000 unlisted warrants of the Company have been placed to the following independent placees at an issue price of HK$0.01 per warrant with an exercise price of HK$0.89 per Share, being the closing price of the Shares on the date which the terms of the issue of the warrants were fixed:

(1) Pacific Alliance Asia Opportunity Fund LP, a Cayman Islands exempted limited partnership;

(2) Asian Equity Special Opportunities Portfolio Master Fund Limited, an open-end investment company incorporated in the Cayman Islands with limited liability; and

(3) Rich Wealth Investments Limited, a company incorporated in the British Virgin Islands.

The proceeds from the placing of unlisted warrants was HK$500,000. The exercise period of the unlisted warrants is 12 months from the issue date of the warrants. All warrants were exercised during the year ended 31 March 2014. As at 31 March 2014, HK$44,500,000 was received as proceeds upon the exercise of the warrants, such proceeds was used to invest in suitable investment opportunities and expansion of the production facilities of the Group.

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. Chen Tien Tui, Mr. Lee Yuen Chiu, Andy and Mr. Kwok Sze Chi will retire at the forthcoming AGM and, being eligible, offer themselves for re-election. All other Directors continue in office.

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 HKICPA. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with the 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 favourable 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:

	2014 **HK$'000**	2013 HK$'000
Sale of fabric	**49,115**	79,889
Sale of yarn	**5,071**	753
Supply of steam and electricity	**3,678**	3,713

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 2014, 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 shares capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	393,612,000 Shares (L) (Note 2)	–	22.51% (Note 26)
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.07%
	Victory City Company Limited (Note 24)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 24)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.40%
	FGG (Note 24)	Founder of a trust	3,512,080 FGG Shares (L) (Note 2)	–	0.78%
	FGG (Note 24)	Beneficial owner	277,360 FGG Shares (L)	–	0.06%
Chen Tien Tui	The Company	Founder of a trust	393,612,000 Shares (L) (Note 3)	–	22.51% (Note 26)
	The Company	Beneficial owner	2,070,000 Shares (L)	–	0.12%
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.07%
	Victory City Company Limited (Note 24)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited (Note 24)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.40%
	FGG (Note 24)	Founder of a trust	3,512,080 FGG Shares (L) (Note 3)	–	0.78%
	FGG (Note 24)	Beneficial owner	309,000 FGG Shares (L)	–	0.07%

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 shares capital of the Company/ associated corporation
Choi Lin Hung	The Company	Beneficial owner	8,198,000 Shares (L)	–	0.47%
	The Company	Beneficial owner	–	12,000,000 Shares (L) (Note 5)	0.69%
	Victory City Overseas Limited (Note 24)	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.20%
	FGG (Note 24)	Interest of controlled corporation	317,552,000 FGG Shares (L) (Note 6)	–	70.53%
	Sure Strategy (Note 24)	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (Note 7)	–	49%
	Ford Glory Holdings Limited ("FG Holdings") (Note 24)	Interest of controlled corporation	100 shares of US$1.00 each (L) (Note 8)	–	100%
	Brilliant Fashion Inc. (Note 24)	Interest of controlled corporation	100 common shares of no par value (L) (Note 13)	–	100%
	FG International (Note 24)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (Note 14)	–	100%
	Glory Time Limited (Note 24)	Interest of controlled corporation	70 ordinary shares of HK$1.00 each (L) (Note 15)	–	70%
	Mayer Apparel Limited (Note 24)	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) (Note 12)	–	51%
	PT. Victory Apparel Semarang (Note 24)	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) (Note 11)	–	100%
	Surefaith Limited (Note 24)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 14)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued shares capital of the Company/ associated corporation
	Top Value Inc. (Note 24)	Interest of controlled corporation	200 common shares of no par value (L) (Note 13)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 24)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 16)	–	100%
	Victory Apparel (Jordan) Manufacturing Company Limited (Note 24)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 10)	–	100%
	Wealth Choice Limited (Note 24)	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)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 9)	–	100%
	Gojifashion Inc. (Note 25)	Interest of controlled corporation	100 common shares of no par value (L) (Note 13)	–	50%
	Happy Noble Holdings Limited (Note 24)	Interest of controlled corporation	70 ordinary shares of US$1.00 each (L) (Note 14)	–	70%
	Sky Winner Investment Limited (Note 24)	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 24)	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) (Note 9)	–	100%
	Rocwide Limited (Note 24)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 14)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued shares capital of the Company/ associated corporation
	Jiangmen V-Apparel Manufacturing Ltd. (Note 24)	Interest of controlled corporation	Registered capital of HK$31,260,000 (L) (Note 18)	–	100%
	One Sino Limited (Note 24)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 14)	–	100%
	Ford Glory (Cambodia) Manufacturing Limited (Note 24)	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 24)	Interest of controlled corporation	Registered capital of HK$5,000,000 (L) (Note 20)	–	100%
	Global Trend Investments Limited (Note 24)	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 24)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 21)	–	100%
	Talent Partner Holdings Limited (Note 24)	Interest of controlled corporation	51 ordinary shares of US$1.00 each (L) (Note 22)	–	51%
	Green Expert Global Limited (Note 24)	Interest of controlled corporation	1 ordinary share of US$1.00 each (L) (Note 23)	–	100%
	MT Studio Inc. (Note 24)	Interest of controlled corporation	1 common stock of no par value (L) (Note 23)	–	100%
	Ford Glory Inc. (Note 24)	Interest of controlled corporation	1 ordinary share of US$0.01 each (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 shares capital of the Company/ associated corporation
	Major Time Limited (Note 24)	Interest of controlled corporation	1 ordinary share of HK$1.00 each (L) (Note 23)	–	100%
	Just Perfect Holdings Limited (Note 24)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 14)	–	100%
	Best Keen International Limited (Note 24)	Interest of controlled corporation	1 ordinary share of US$1.00 each (L) (Note 27)	–	100%
	United Gainer Investment Limited (Note 24)	Interest of controlled corporation	1 ordinary share of HK$1.00 each (L) (Note 28)	–	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	5,000,000 Shares (L) (Note 5)	0.29%
Phaisalakani Vichai	The Company	Beneficial owner	538,000 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"). Pearl Garden 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"). Madian Star 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 Mr. Li Ming Hung and Mr. 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 Mr. Choi Lin Hung and Mr. 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 and Sure Strategy of which Sure Strategy was owned as to 49% by Merlotte, a company wholly-owned by Mr. Choi Lin Hung, and as to 51% owned by VC Investments, a wholly-owned subsidiary of the Company.

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

8. These shares were held by FGG.

9. This registered capital was beneficially owned by FG International which is a wholly-owned subsidiary of FG Holdings.

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

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

12. Mayer Apparel Limited is 51% owned by FG Holdings.

13. These common shares were beneficially owned by FG Holdings.

14. These shares were beneficially owned by FG Holdings.

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

16. This quota capital was beneficially owned by FG Holdings.

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

18. The registered capital was beneficially owned as to 40% by FG Holdings 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 FG Holdings.

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

24. These companies are subsidiaries of the Company.

25. 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.

26. 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.

27. This share was held by FGG.

28. This share was held by Best Keen International Limited.

Save as disclosed above in this report, as at 31 March 2014, 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 2014, 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	393,612,000 (L)	Beneficial owner (Note 2)	22.51%
Cornice Worldwide Limited	393,612,000 (L)	Interest of controlled corporation (Note 2)	22.51%
Madian Star	393,612,000 (L)	Beneficial owner (Note 3)	22.51%
Yonice Limited	393,612,000 (L)	Interest of controlled corporation (Note 3)	22.51%
Fiducia Suisse SA	787,224,000 (L)	Trustee (Notes 2 & 3)	45.02%
David Henry Christopher Hill	787,224,000 (L)	Interest of controlled corporation (Note 6)	45.02%
Rebecca Ann Hill	787,224,000 (L)	Interest of spouse (Note 7)	45.02%

Name of person/entity	Number of Shares (Note 1)	Capacity	Approximate % of interest
Ho Yuen Mui, Shirley	394,812,000 (L)	Interest of spouse (Note 4)	22.58%
Or Kwai Ying	396,882,000 (L)	Interest of spouse (Note 5)	22.70%
Templeton Asset Management Limited	274,791,345 (L)	Investment manager	15.99%
Delta Lloyd Asset Management NV	119,979,186 (L)	Investment manager	7.00%

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. Pearl Garden 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 and Cornice Worldwide Limited.

3. These Shares were held by Madian Star. Madian Star 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 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 2014, 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 33 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 33 to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

Save as disclosed in Note 33 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 2014 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 2014.

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
27 June 2014

Corporate Governance Report

CORPORATE GOVERNANCE CODE

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

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 2014.

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 2014.

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 16 to 17 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 has full access to relevant information at the meetings. The Board has met four times during the year ended 31 March 2014 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 2015;

(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 2014 to make recommendations on the re-election of Mr. Choi Lin Hung, Mr. Kan Ka Hon and Mr. Phaisalakani Vichai as Directors to be proposed for Shareholders' approval in the last AGM held on 20 August 2013.

Board Diversity Policy

The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. During the year, the Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company aims to achieve diversity of its board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional and industry experience. The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make relevant recommendations on changes to the Board to complement the Company's corporate strategy.

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 2014 is set out below:

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

The details of the members of senior management of the Company are set out on page 17 of this annual report.

No Director takes part in any discussions and decisions about his own remuneration. During the year ended 31 March 2014, 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 2014, 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"), AGM held for the year ended 31 March 2014 and Special General Meeting held on 2 April 2013 ("SGM") are set out below:

	Number of meetings attended/held for the year ended 31 March 2014					
	BM	**ACM**	**RCM**	**NCM**	**AGM**	**SGM**
Executive Directors						
Mr. Li Ming Hung *(Chairman)*	4/4	–	1/1	1/1	1/1	1/1
Mr. Chen Tien Tui *(Chief Executive Officer)*	4/4	–	1/1	–	1/1	1/1
Mr. Lee Yuen Chiu, Andy	4/4	–	–	–	1/1	1/1
Mr. Choi Lin Hung	4/4	–	–	–	1/1	1/1
Independent Non-executive Directors						
Mr. Kan Ka Hon	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Phaisalakani Vichai	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Kwok Sze Chi	4/4	2/2	1/1	–	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 2014, 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$3,384,000 for the Group;

Non-audit services of approximately HK$877,000 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 2014, 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.

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: Level 22, Hopewell Centre, 183 Queen's Road East, 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 2014.

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 45 to 118, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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 2014 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
27 June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	7	**5,371,883**	4,085,368
Cost of sales		**(4,497,689)**	(3,334,325)
Gross profit		**874,194**	751,043
Other income		**60,708**	39,685
Other gains and losses	9	**2,830**	20,843
Distribution and selling expenses		**(127,334)**	(89,005)
General and administrative expenses		**(404,138)**	(388,421)
Finance costs	10	**(113,241)**	(102,818)
Profit before tax		**293,019**	231,327
Income tax expense	11	**(10,841)**	(23,512)
Profit for the year	12	**282,178**	207,815
Other comprehensive income that may be subsequently reclassified to profit or loss:			
Gain on fair value change of an available-for-sale investment		**443**	–
Exchange difference arising on translation of foreign operations		**2,162**	19,437
Other comprehensive income for the year		**2,605**	19,437
Total comprehensive income for the year		**284,783**	227,252
Profit for the year attributable to:			
Owners of the Company		**277,389**	205,767
Non-controlling interests		**4,789**	2,048
		282,178	207,815
Total comprehensive income attributable to:			
Owners of the Company		**279,685**	226,359
Non-controlling interests		**5,098**	893
		284,783	227,252
Earnings per share	14		
Basic		**HK16.5 cents**	HK13.1 cents
Diluted		**HK16.1 cents**	HK13.1 cents

Consolidated Statement of Financial Position

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**3,126,408**	2,924,111
Prepaid lease payments	16	**205,698**	185,366
Investment property	17	**31,200**	32,000
Goodwill	18	**6,614**	6,614
Intangible asset	19	**1,000**	1,000
Other assets		**26,040**	26,040
Interest in a joint venture	21	**–**	–
Restricted bank deposit	20	**91,794**	77,295
Deferred tax assets	34	**2,329**	1,835
Deposit paid for acquisition of property, plant and equipment		**8,609**	2,262
		3,499,692	3,256,523
Current assets			
Inventories	22	**2,692,841**	2,061,165
Trade and bills receivables	23	**1,654,357**	1,232,526
Deposits, prepayments and other receivables	25	**236,129**	288,034
Prepaid lease payments	16	**5,200**	4,694
Derivative financial instruments	26	**12,401**	19,044
Available-for-sale investment	27	**1,535**	–
Taxation recoverable		**494**	737
Bank balances and cash	28	**1,300,491**	1,692,922
		5,903,448	5,299,122
Current liabilities			
Trade payables	29	**519,761**	510,574
Other payables and accruals	30	**154,545**	150,456
Dividend payable		**189**	105
Taxation payable		**81,186**	89,651
Derivative financial instruments	26	**42,675**	10,807
Bank borrowings – amount due within one year	31	**2,008,209**	1,772,064
		2,806,565	2,533,657
Net current assets		**3,096,883**	2,765,465
Total assets less current liabilities		**6,596,575**	6,021,988

Consolidated Statement of Financial Position

At 31 March 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Capital and reserves			
Share capital	32	**17,487**	16,228
Reserves		**4,956,906**	4,645,745
Equity attributable to owners of the Company		**4,974,393**	4,661,973
Non-controlling interests		**258,541**	249,231
Total equity		**5,232,934**	4,911,204
Non-current liabilities			
Bank borrowings – amount due after one year	31	**1,279,079**	1,023,912
Deferred tax liabilities	34	**84,562**	86,872
		1,363,641	1,110,784
		6,596,575	6,021,988

The financial statements on pages 45 to 118 were approved and authorised for issue by the Board of Directors on 27 June 2014 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 2014

	Attributable to owners of the Company												Attributable to non-controlling interests			
	Share capital HK$'000 (Note 32)	Share premium HK$'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$'000	Investment revaluation reserve HK$'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 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 warrants (Note 32)	-	-	-	-	-	-	-	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
Profit for the year	-	-	-	-	-	-	-	-	-	-	277,389	277,389	-	4,789	4,789	282,178
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the year	-	-	-	-	-	1,853	-	-	-	-	-	1,853	-	309	309	2,162
Gain on fair value change of available-for-sale investment	-	-	-	-	-	-	-	-	-	443	-	443	-	-	-	443
Total comprehensive income for the year	-	-	-	-	-	1,853	-	-	-	443	277,389	279,685	-	5,098	5,098	284,783
2013 Final dividend declared	-	-	-	-	-	-	41,465	-	-	-	(41,465)	-	-	-	-	-
2014 Interim dividend declared	-	-	-	-	-	-	51,391	-	-	-	(51,391)	-	-	-	-	-
Issue of shares under scrip dividend scheme for 2013 final	328	32,797	-	-	-	-	(33,125)	-	-	-	-	-	-	-	-	-
Issue of shares under scrip dividend scheme for 2014 interim	302	33,165	-	-	-	-	(33,467)	-	-	-	-	-	-	-	-	-
Dividends paid in cash	-	-	-	-	-	-	(26,264)	-	-	-	-	(26,264)	-	-	-	(26,264)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,273)	(1,273)	(1,273)
Exercise of share option	129	12,950	-	-	-	-	-	-	(3,030)	-	-	10,049	-	-	-	10,049
Lapse of share option	-	-	-	-	-	-	-	-	(12)	-	12	-	-	-	-	-
Recognition of equity-settled share-based payments in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,004	-	1,004	1,004
Exercise of share option in a subsidiary	-	-	-	-	-	-	-	-	-	-	4,076	4,076	(4,076)	8,385	4,309	8,385
Lapse of share option in a subsidiary	-	-	-	-	-	-	-	-	-	-	76	76	(76)	-	(76)	-
Exercise of warrants (Note 32)	500	44,500	-	-	-	-	-	(500)	-	-	-	44,500	-	-	-	44,500
Dilution of interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	(248)	(248)	-	248	248	-
Dissolution of a subsidiary	-	-	-	-	-	546	-	-	-	-	-	546	-	-	-	546
At 31 March 2014	**17,487**	**1,765,473**	**(5,530)**	**39**	**76,229**	**648,590**	**-**	**-**	**25,152**	**443**	**2,446,510**	**4,974,393**	**27,732**	**230,809**	**258,541**	**5,232,934**

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 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**293,019**	231,327
Adjustments for:		
Depreciation of property, plant and equipment	**257,304**	259,304
Gain on disposal of property, plant and equipment	**(4,078)**	(409)
Loss (gain) on fair value change of an investment property	**800**	(1,000)
Gain on fair value changes of derivative financial instruments	**(2,785)**	(24,023)
Gain on fair value change of a restricted bank deposit	**(3,150)**	(1,245)
Interest income	**(38,085)**	(34,516)
Interest on bank borrowings	**113,241**	102,818
Share-based payment expenses	**1,004**	40,360
Release of prepaid lease payments	**4,385**	4,298
Write-down of inventories	**1,834**	1,600
Operating cash flows before working capital changes	**623,489**	578,514
Increase in inventories	**(651,004)**	(253,362)
Increase in trade and bills receivables	**(417,922)**	(126,403)
(Increase) decrease in deposits, prepayments and other receivables	**(3,147)**	3,525
Increase in trade payables	**7,751**	212,141
Decrease in other payables and accruals	**(16,201)**	(3,524)
Proceeds from and settlement of derivative financial instruments	**41,296**	29,138
Increase in bank borrowing from discounted bills and debts factored with recourse	**84,757**	80,308
Cash (used in) generated from operations	**(330,981)**	520,337
Interest paid on bank borrowings	**(120,741)**	(108,513)
PRC Enterprise Income Tax paid	**(11,085)**	(11,068)
Hong Kong Profits Tax paid	**(10,501)**	(5,287)
Overseas tax paid	**(742)**	(205)
Interest received	**38,085**	30,940
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(435,965)**	426,204
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(434,536)**	(407,774)
Increase in prepaid lease payment	**(24,788)**	(5,971)
Placement of restricted bank deposits	**(128,817)**	(76,050)
Withdrawal of restricted bank deposits	**117,468**	–
Deposit paid for acquisition of property, plant and equipment	**(8,609)**	(2,262)
Purchase of available-for-sale investment	**(1,092)**	–
Settlement from loan receivables	**55,901**	–
Deposits received for disposal of subsidiaries	**20,000**	–
Proceeds from disposal of property, plant and equipment	**6,348**	9,743
Loan made to an independent third party	**–**	(93,132)
NET CASH USED IN INVESTING ACTIVITIES	**(398,125)**	(575,446)

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES		
New bank loans raised	**1,942,078**	1,917,322
Net amount of import loans and trust receipts loans raised	**250,591**	149,365
Exercise of unlisted warrants	**44,500**	–
Exercise of share options of the Company	**10,049**	–
Exercise of share options of a subsidiary	**8,385**	–
Repayment of bank loans	**(1,785,818)**	(1,307,752)
Dividend paid to the Company's shareholders	**(26,264)**	(15,346)
Repayment of mortgage loans	**(2,071)**	(2,029)
Dividend paid to non-controlling shareholders	**(1,273)**	–
Proceeds from issuance of unlisted warrants	**–**	500
NET CASH FROM FINANCING ACTIVITIES	**440,177**	742,060
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(393,913)**	592,818
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,692,922**	1,099,022
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,482**	1,082
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**1,300,491**	1,692,922

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda 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, garment products and resin.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

Application of these standards resulted in more extensive disclosures in the consolidated financial statements in relation to the Group's interests in subsidiaries (please see Note 41 for details).

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

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment" and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see Note 6 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. 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. Furthermore, 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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, amendments to HKFRSs and interpretation that have been issued but not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HKFRS 15	Revenue from Contracts with Customers[6]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application-the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 January 2017.

The Directors anticipate that the application of the new and revised HKFRSs, amendments to HKFRSs and interpretation 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs), that is expected to benefit from the synergies of the combination.

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 allocated to the unit and then to the other assets of the unit on a pro rata basis based of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss 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.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in a joint venture (continued)

Under the equity method, an investment in a joint venture is 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 joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), 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 the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

Property, plant and equipment

Property, plant and equipment including 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.

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.

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment property is property 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), 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 joint arrangements 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 other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint arrangement, 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 and interest 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, the carrying amount of such property is presumed to be recovered through sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within business model whose objective is to consume substantially all economic benefits embodied in the investments property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, 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 of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 debt instrument 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 FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition 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 *Financial Instruments: Recognition and Measurement* 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 FVTPL (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 any gains or losses arising from remeasurement recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in Note 6.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

The Group invested in an unlisted fund issued by a financial institution which is classified as available-for-sale financial assets on initial recognition. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment of financial assets below).

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).

Interest income is recognised by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt 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 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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near future;
- on initial recognition it is a part of a portfolio of identified 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.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

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

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.

Derivative financial instruments

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

Derecognition

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 and accumulated in equity 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

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.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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.

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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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 of disposal 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 immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment loss of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of 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. The amount of impairment is measured at the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2014, the carrying amount of trade and bills receivables was HK$1,654,357,000 (2013: HK$1,232,526,000) (net of allowance for doubtful debts of HK$4,125,000 (2013: HK$4,117,000)).

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 2014, the carrying amount of inventories was HK$2,692,841,000 (2013: HK$2,061,165,000).

Income taxes

As at 31 March 2014, deferred tax asset in relation to unused tax losses of HK$71,316,000 (2013: HK$30,477,000) and deductible temporary difference of HK$47,664,000 (2013: HK$54,396,000) in respect of accelerated accounting depreciation (see Note 34) 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 2014, 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 31, net of cash and cash equivalents disclosed in Note 28, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,997,740**	3,023,343
FVTPL		
Restricted bank deposit	**91,794**	77,295
Derivative financial instruments	**12,401**	19,044
Available-for-sale investment	**1,535**	–
Financial liabilities		
Amortised cost	**3,827,722**	3,333,991
FVTPL		
Derivative financial instruments	**42,675**	10,807

(b) Financial risk management objectives and policies

The Group's major financial instruments include restricted bank deposit, trade and bills receivables, other receivables, available-for-sale investment, 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. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (continued)

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

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**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**20**	–	**181,226**	332,071

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% (2013: 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:

	2014	2013
	HK$'000	HK$'000
Gain in relation to:		
RMB	**7,565**	13,864

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

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$. Based on the terms of these contracts, if at 31 March 2014, (i) RMB had weakened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been reduced by HK$310,348,000 (2013: HK$178,709,000) and (ii) RMB had strengthened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been increased by HK$58,664,000 (2013: HK$6,944,000). 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 deposits as the impact of change in exchange rate on the fair value is insignificant. Details of the restricted bank deposits 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.

(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, 28 and 31 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 31) 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 HIBOR and London Interbank Offered Rate ("LIBOR") arising from the Group's bank borrowings.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk (continued)

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$13,506,000 (2013: HK$12,940,000) or increase by approximately HK$13,497,000 (2013: HK$15,560,000). 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 2014, 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. The 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$'000	Carrying amount at 31 March 2014 HK$'000
2014							
Non-derivative financial liabilities							
Trade and other payables	–	205,883	291,919	42,632	–	540,434	540,434
Bank borrowings	2.70%	1,639,135	68,917	313,551	1,370,419	3,392,022	3,287,288
		1,845,018	360,836	356,183	1,370,419	3,932,456	3,827,722
Derivative – net settlement							
Structured foreign currency forward contracts		(1,957)	(3,876)	(8,570)	54,884	40,481	39,516
Interest rate swap		–	113	339	2,758	3,210	3,159
		(1,957)	(3,763)	(8,231)	57,642	43,691	42,675

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$'000	Carrying amount at 31 March 2013 HK$'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

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 2014 and 31 March 2013, the aggregate outstanding principal amounts of these bank loans amounted to HK$1,711,865,000 and HK$1,187,846,000 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.

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
2014							
Bank borrowings	**2.71%**	**1,533,704**	**65,040**	**120,027**	**–**	**1,718,771**	**1,711,865**
2013							
Bank borrowings	2.61%	647,478	523,713	5,696	18,478	1,195,365	1,187,846

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 period.

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

Fair value measurement recognised in the consolidated statement of financial position

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Group's restricted bank deposit, derivative financial instruments and available-for-sale investment are measured at fair value at the end of each reporting period. The Group's available-for-sale investment of HK$1,535,000 at 31 March 2014 (2013: nil) is measured based on quoted price from a financial institution. The valuation technique use observable and unobservable inputs. As the changes in any of those observable or unobservable inputs in the valuation would not lead to significant impact to the financial results of the Group, fair value hierarchy, key inputs used in the valuation technique and sensitivity of the fair value measurement to change in those inputs are not presented. The following table give information about how the fair values of restricted bank deposit and derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value as at 31 March 2014	Fair value hierarchy	Valuation technique and key inputs
Restricted bank deposit (note 1)	Asset – HK$91,794,000	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement of the related structured foreign currency forward contract, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Structured foreign currency forward contracts classified as derivative financial instruments (note 2)	Assets – HK$12,401,000 Liabilities – HK$39,516,000 (Both not designated for hedging)	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Interest rate swap classified as derivative financial instrument (note 3)	Liability – HK$3,159,000 (Not designated for hedging)	Level 2	Discounted cash flow method The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate

note 1: The higher the average implied volatility of the exchange rate used, the lower the fair value. Changes in the average implied volatility of the exchange rate used will have insignificant impact on the fair value of restricted bank deposits.

note 2: The higher the average implied volatility of the exchange rate used, the lower the fair value. If the average implied volatility of the exchange rate is increased/decreased by 5% and held other variables constant, the Group's post-tax profit for the year would have been decreased/increased by HK$4,800,000/HK$4,770,000. If RMB weakened/strengthened against US$ by 5% and all variables were held constant, the Group's post-tax profit for the year would decreased by HK$310,348,000/increased by HK$58,664,000. Due to the terms of the contracts, changes in the inputs adopted in the valuation model would lead to asymmetric changes in the fair values.

note 3: The discounted cash flow method uses only observable market inputs.

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

Fair value measurement recognised in the consolidated statement of financial position (continued)

There is no transfer between the different levels of the fair value hierarchy for the current period.

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

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Restricted bank deposit	**–**	**–**	**91,794**	**91,794**
Derivative financial instruments	**–**	**–**	**12,401**	**12,401**
Financial liabilities at FVTPL				
Derivative financial instruments	**–**	**3,159**	**39,516**	**42,675**

	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

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 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	14,584	15,829
Settlement	–	(29,136)	(29,136)
At 31 March 2013	77,295	14,584	91,879
Placement of restricted bank deposits	128,817	–	128,817
Withdrawal of restricted bank deposits	(117,468)	–	(117,468)
Fair value gains (note):			
– realised	2,148	27,663	29,811
– unrealised	1,002	(27,115)	(26,113)
Settlement	–	(42,247)	(42,247)
At 31 March 2014	**91,794**	**(27,115)**	**64,679**

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:

	2014 HK$'000	2013 HK$'000
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	**4,051,685**	3,014,206
Production and sale of garment products and provision of quality inspection services	**937,075**	1,071,162
Production and sale of resin	**383,123**	–
	5,371,883	4,085,368

8. SEGMENT INFORMATION

The Group's operations used to be organised into two operating segments, namely the knitted fabric and dyed yarn segment and the garment products segment. In 2012, the Group ventured into the resin manufacturing business by making use of its existing relevant licenses and certain infrastructure facilities in the manufacturing plant in Xinhui. Information of the three (2013: two) segments is reported to the executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Details of the Group's three (2013: two) operating and reportable segments are as follows.

(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

(iii) Resin – Production and sale of resin

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

Year ended 31 March 2014

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Resin HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE						
External sales	4,051,685	937,075	383,123	5,371,883	–	5,371,883
Inter-segment sales	53,191	–	–	53,191	(53,191)	–
Total	4,104,876	937,075	383,123	5,425,074	(53,191)	5,371,883
RESULTS						
Segment results	360,273	15,903	1,690	377,866	–	377,866
Unallocated corporate income						38,157
Other gains and losses						9,213
Unallocated corporate expenses						(18,976)
Finance cost						(113,241)
Profit before tax						293,019

8. SEGMENT INFORMATION (continued)

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 cost					(102,818)
Profit before tax					231,327

The accounting policies of the operating segments are the same as the Group's accounting policies as described in Note 3. 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, (loss) gain on fair value change of an investment property, net gain on fair value changes of derivative financial instruments and a restricted bank deposit, 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.

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 31 March 2014

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Resin HK$'000	Consolidated total HK$'000
ASSETS				
Segment assets	**7,201,572**	**540,271**	**345,046**	**8,086,889**
Unallocated assets				**1,316,251**
Consolidated total assets				**9,403,140**
LIABILITIES				
Segment liabilities	**603,137**	**85,737**	**20,196**	**709,070**
Unallocated liabilities				**3,461,136**
Consolidated total liabilities				**4,170,206**

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

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

- all assets other than bank balances and cash, 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.

8. SEGMENT INFORMATION (continued)

Other segment information

At 31 March 2014

	Knitted fabric and dyed yarn HK$'000	**Garment products HK$'000**	**Resin 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)	**406,525**	**16,072**	**46,489**	**469,086**
Depreciation	**232,555**	**20,753**	**3,996**	**257,304**
Gain (loss) on disposal of property, plant and equipment	**5,087**	**(1,009)**	**–**	**4,078**
Release of prepaid lease payments	**4,286**	**99**	**–**	**4,385**
Write-down of inventories	**–**	**1,834**	**–**	**1,834**

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

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

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

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**702,905**	517,076	**77,260**	77,514
PRC	**2,495,246**	1,589,462	**3,257,851**	3,034,731
US	**568,877**	725,122	**90**	103
Korea	**306,544**	309,260	**–**	–
Bangladesh	**449,423**	311,085	**–**	–
Taiwan	**257,785**	251,630	**–**	–
Canada	**118,271**	91,524	**–**	–
Others	**472,832**	290,209	**44,328**	39,005
	5,371,883	4,085,368	**3,379,529**	3,151,353

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 2014.

Information about products and services

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

	2014 HK$'000	2013 HK$'000
Net gain on fair value changes of derivative financial instruments	**2,785**	24,023
Gain on fair value change of a restricted bank deposit	**3,150**	1,245
(Loss) gain on fair value change of an investment property	**(800)**	1,000
Gain on disposal of property, plant and equipment	**4,078**	409
Net foreign exchange loss	**(6,383)**	(5,834)
	2,830	20,843

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank borrowings:		
– wholly repayable within five years	**119,913**	107,608
– not wholly repayable within five years	**828**	905
	120,741	108,513
Less: Amounts capitalised in construction in progress	**(7,500)**	(5,695)
	113,241	102,818

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.0% (2013: 3.33%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
The tax charge comprises:		
Current tax:		
Current year		
– Hong Kong Profits Tax	**10,733**	12,465
– Enterprise Income Tax ("EIT") in the PRC attributable to subsidiaries	**10,238**	19,154
– Overseas income tax	**622**	258
	21,593	31,877
Overprovision in respect of prior years	**(7,855)**	(6,472)
	13,738	25,405
Deferred taxation (Note 34)	**(2,897)**	(1,893)
	10,841	23,512

11. INCOME TAX EXPENSE (continued)

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.

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

	2014 **HK$'000**	2013 HK$'000
Profit before tax	**293,019**	231,327
Tax at the domestic income tax rate of 16.5%	**48,348**	38,169
Tax effect of utilisation of deductible temporary difference previously not recognised	**–**	(549)
Tax effect of expenses that are not deductible for tax purpose	**12,272**	16,575
Tax effect of income not taxable for tax purpose	**(3,313)**	(2,938)
Tax effect of utilisation of tax losses previously not recognised	**(273)**	(256)
Tax effect of tax losses not recognised	**7,080**	3,777
Income tax on concessionary rate and tax exemption	**(48,131)**	(35,935)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,505**	9,508
Overprovision in respect of prior years	**(7,855)**	(6,472)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	**1,208**	1,633
Tax charge for the year	**10,841**	23,512

Details of deferred taxation are set out in Note 34.

12. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	**20,039**	24,527
Share-based payment expenses (included in general and administrative expenses, excluded amount attributable to Directors)	**1,004**	35,782
Other staff costs	**502,163**	452,479
Total staff costs	**523,206**	512,788
Auditor's remuneration	**4,208**	3,950
Depreciation of property, plant and equipment	**257,304**	259,304
Release of prepaid lease payments	**4,385**	4,298
Write-down of inventories (included in cost of sales)	**1,834**	1,600
and after crediting:		
Government grants	**–**	2,482
Bank interest income	**34,939**	30,195
Other interest income	**3,146**	4,321

Included in the other staff costs is an aggregate amount of approximately HK$41,957,000 (2013: HK$33,106,000) 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 profit or loss and other comprehensive income for both years.

12. PROFIT FOR THE YEAR (continued)

notes:

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

Directors and chief executive

The emoluments paid or payable to each of the seven (2013: seven) Directors and the chief executive were as follows:

	Li Ming Hung HK$'000	Chen Tien Tui HK$'000	Lee Yuen Chiu, Andy HK$'000	Choi Lin Hung HK$'000	Kan Ka Hon HK$'000	Phaisalakani Vichai HK$'000	Kwok Sze Chi HK$'000	Total HK$'000
2014								
Fees	**–**	**–**	**–**	**1,170**	**225**	**225**	**225**	**1,845**
Salaries and other benefits	**3,960**	**3,960**	**1,550**	**2,490**	**–**	**–**	**–**	**11,960**
Performance related incentive payments (note)	**2,436**	**2,436**	**576**	**578**	**–**	**–**	**–**	**6,026**
Contributions to retirement benefits schemes	**50**	**50**	**86**	**22**	**–**	**–**	**–**	**208**
Total emoluments	**6,446**	**6,446**	**2,212**	**4,260**	**225**	**225**	**225**	**20,039**
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 payments	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

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 of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

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, details of whose emoluments are set out above. The emoluments of the remaining individual of the Group, not being a Director, are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**1,620**	1,296
Performance related incentive payments	**630**	625
Share-based payments	**–**	708
Contributions to retirement benefits schemes	**66**	61
	2,316	2,690

During each of the two years ended 31 March 2014, (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 2014 and 2013, 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% (2013: 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

	2014 HK$'000	2013 HK$'000
Dividends recognised as distribution during the year:		
2014 interim dividend of HK3.0 cents (2013: HK2.0 cents) per ordinary share	**51,391**	31,752
2013 final dividend of HK2.5 cents (2013: 2012 final dividend of HK2.5 cents) per ordinary share	**41,465**	38,684
	92,856	70,436

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2014 of HK4.0 cents (2013: final dividend in respect of the year ended 31 March 2013 of HK2.5 cents) per share, which will be payable in cash with a scrip dividend option, 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:

	2014 HK$'000	2013 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**277,389**	205,767
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	**(599)**	(145)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**276,790**	205,622
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,677,002,667**	1,567,272,433
Effect of dilutives potential ordinary shares:		
Company's share options	**34,559,668**	7,159,668
Warrants	**4,693,616**	1,075,540
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,716,255,951**	1,575,507,641

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 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
Exchange realignment	14,823	3,184	236	406	131	11,495	30,275
Additions	–	313,179	6,559	14,915	5,237	104,408	444,298
Transfer	–	(47,740)	–	3,991	–	43,749	–
Disposals	–	–	(271)	(186)	(3,604)	(44,985)	(49,046)
At 31 March 2014	**2,595,130**	**512,731**	**76,159**	**99,273**	**41,420**	**1,985,718**	**5,310,431**
DEPRECIATION							
At 1 April 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
Exchange realignment	4,034	–	198	117	94	8,259	12,702
Provided for the year	108,855	–	6,051	6,474	4,754	131,170	257,304
Eliminated on disposals	–	–	(240)	(148)	(3,392)	(42,996)	(46,776)
At 31 March 2014	**686,577**	**–**	**54,487**	**33,028**	**26,624**	**1,383,307**	**2,184,023**
CARRYING VALUE							
At 31 March 2014	**1,908,553**	**512,731**	**21,672**	**66,245**	**14,796**	**602,411**	**3,126,408**
At 31 March 2013	2,006,619	244,108	21,157	53,562	14,488	584,177	2,924,111

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land and buildings	4% per annum or over the 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

	At 31 March	
	2014	2013
	HK$000	HK$000
The Group's leasehold land and buildings comprise:		
Leasehold land and buildings with medium-term leases located in:		
PRC	**1,875,911**	1,972,373
Hong Kong	**30,575**	31,962
Jordan	**2,067**	2,284
	1,908,553	2,006,619

16. PREPAID LEASE PAYMENTS

	At 31 March	
	2014	2013
	HK$'000	HK$'000
Prepaid lease payments comprise:		
Leasehold land in PRC:		
Medium-term leases	**210,898**	190,060
Analysed for reporting purposes as:		
Current assets	**5,200**	4,694
Non-current assets	**205,698**	185,366
	210,898	190,060

17. INVESTMENT PROPERTY

	HK$'000
FAIR VALUES	
At 1 April 2012	31,000
Increase in fair value recognised in profit or loss	1,000
At 31 March 2013	32,000
Decrease in fair value recognised in profit or loss	(800)
At 31 March 2014	**31,200**

The Group's property interest held under an operating lease to earn rental or for capital appreciation purpose is measured using the fair value model and is classified and accounted for as investment property.

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 qualified professional valuers not connected with the Group. The fair value was determined based on the direct comparison approach. The valuation was determined by reference to the recent market prices for similar prices for similar properties in similar locations and conditions.

In estimating the fair value of the property, the highest and best use of the property is its current use.

The key and unobservable input used in valuing the investment property were the transaction prices for similar properties after accounting for floor areas and floor level.

The Group's investment property is a residential property unit and the fair value hierarchy as at 31 March 2014 is Level 3.

There is no transfer into or out of Level 3 during the year.

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

18. GOODWILL

	HK$'000
COST	
At 1 April 2012, 31 March 2013 and 31 March 2014	**6,614**

As explained in Note 8, the Group has three (2013: 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.

During the year ended 31 March 2014 and 2013, the Directors determine that there are no impairment of any of its CGUs containing goodwill. 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% (2013: 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. 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 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 2012, 31 March 2013 and 31 March 2014	**1,000**

The intangible asset represents a trademark acquired for the garment products segment. 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$11,640,000 (31 March 2013: US$9,750,000) 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 2014 and year ended 31 March 2013 respectively. The amount is repayable to the Group on 6 January 2017 (2013: 18 February 2016) at US$12,000,000 (31 March 2013: US$10,000,000) unless the relevant contract is early terminated pursuant to Knockout Event (as defined in Note 26) whereby the financial institution will repay US$12,000,000 (31 March 2013: US$10,000,000) to the Group immediately.

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

21. INTEREST IN A JOINT VENTURE

	2014	2013
	HK$'000	HK$'000
Cost of unlisted investment in a joint venture	**1,340**	1,340
Share of post-acquisition loss	**(1,340)**	(1,340)
	–	–

As at 31 March 2014 and 31 March 2013, the Group had interest in the following joint venture:

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

22. INVENTORIES

	2014	2013
	HK$'000	HK$'000
Raw materials	**1,582,270**	1,021,925
Work in progress	**585,794**	648,187
Finished goods	**524,777**	391,053
	2,692,841	2,061,165

23. TRADE AND BILLS RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade and bills receivables	**1,132,353**	795,271
Bills discounted with recourse and debts factored with recourse	**526,129**	441,372
Less: Allowance for doubtful debts	**(4,125)**	(4,117)
	1,654,357	1,232,526

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:

	2014 HK$'000	2013 HK$'000
0-60 days	**1,134,681**	890,262
61-90 days	**269,794**	179,201
91-120 days	**192,537**	115,237
Over 120 days	**57,345**	47,826
	1,654,357	1,232,526

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:

	2014 HK$'000	2013 HK$'000
HK$	**–**	2,706
RMB	**55,792**	29,381
US$	**222,437**	201,970

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$57,345,000 (2013: HK$47,826,000) which were past due, all aged over 120 days, at the end of the reporting period but for which the Group has not provided for impairment loss.

23. TRADE AND BILLS RECEIVABLES (continued)

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.

As at 31 March 2014, 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 2014, the carrying amount of bills receivables discounted with recourse was HK$526,129,000 (2013: HK$441,372,000).

Movements in the allowance for doubtful debts

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	**4,117**	5,228
Exchange realignment	**8**	9
Amounts written off as uncollectible	**–**	(1,120)
Balance at end of the year	**4,125**	4,117

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 2014 that were transferred to banks by factoring those trade receivables 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 trade and bills receivables and has recognised the cash received on the transfer as an unsecured borrowing (see Note 31). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2014 HK$'000	2013 HK$'000
Carry amount of trade and bills receivables	**526,129**	441,372
Carry amount of associated liabilities	**(526,129)**	(441,372)

During the year ended 31 March 2014, the Group discounted bills receivables and factored debts with recourse in aggregated amounts of HK$2,277,815,000 (2013: HK$1,552,573,000) 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

	2014 HK$'000	2013 HK$'000
Deposits paid for purchase of raw materials and garment products	**170,102**	158,002
Loan receivables (note)	**37,500**	93,132
Other deposits and prepayments	**19,715**	24,488
Others	**8,812**	12,412
	236,129	288,034

note: 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 with maturity on 29 August 2014 (2013: 28 June 2013 for RMB45,000,000 and 29 July 2013 for the remaining balance).

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	notes	Liabilities 31 March 2014 HK$'000	Liabilities 31 March 2013 HK$'000	Assets 31 March 2014 HK$'000	Assets 31 March 2013 HK$'000
Structured foreign currency forward contracts:	(i)				
– Net-settled Contracts	(ii)	**39,516**	4,460	**12,401**	18,944
– Gross-settled Contract	(iii)	**–**	–	**–**	100
Interest rate swap	(iv)	**3,159**	6,347	**–**	–
		42,675	10,807	**12,401**	19,044

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 or semi-annually 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 was obliged to sell US$ to, and buy RMB from, the relevant financial institution at an agreed exchange rate when the RMB/US$ exchange rate fell below the specified level (the "Gross-settled Contract").

(ii) The pre-determined RMB/US$ exchange rates range from 6.06 to 6.52 (31 March 2013: 6.335 to 6.65). The maximum aggregate notional amount of these Net-settled Contracts for the calculation of the monthly net-settled amounts is US$72,000,000 (31 March 2013: US$49,000,000), of which US$60,000,000 (31 March 2013: US$35,000,000) is related to contracts with knockout provision. The maturity dates of these contracts range from 11 August 2014 to 27 January 2017 (31 March 2013: 11 June 2013 to 18 February 2016) subject to knockout provision. The notional amount of a semi-annually Net-settled Contract with no knockout provision is US$32,628,000 (31 March 2013: nil) with maturity dates range from 31 May 2014 to 29 May 2015.

(iii) The pre-determined RMB/US$ exchange rate was 6.55 as at 31 March 2013. 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. The Gross-settled Contract matured on 24 July 2013.

(iv) At 31 March 2014, 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 2013: HK$40,000,000). The interest rate swap is to be net-settled on a quarterly basis over the period from 31 May 2014 to 31 May 2021 (2013: from 30 August 2013 to 31 May 2021).

27. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2014	2013
	HK$'000	HK$'000
Unlisted trust fund (note)	**1,535**	–
Analysis for reporting purpose as:		
Current asset	**1,535**	–

note: The above investment in an unlisted trust fund is measured at fair value. The trust fund invested in wide range of equity or debt investment products. The fair value is based on quoted price from a financial institution.

28. BANK BALANCES AND CASH

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

	2014	2013
	HK$'000	HK$'000
Bank balances and cash	**1,190,491**	988,320
Short-term deposits	**110,000**	704,602
	1,300,491	1,692,922

The bank balances and short term deposits carry interest at prevailing market rates ranging from 0.001% to 3.30% per annum for both years.

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:

	2014	2013
	HK$'000	HK$'000
HK$	**30,068**	11,461
RMB	**125,434**	302,690
US$	**9,291**	12,704

29. TRADE PAYABLES

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

	2014	2013
	HK$'000	HK$'000
0-60 days	**455,057**	466,216
61-90 days	**60,189**	26,048
Over 90 days	**4,515**	18,310
	519,761	510,574

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:

	2014	2013
	HK$'000	HK$'000
HK$	**–**	13,433
US$	**117,294**	4,081

30. OTHER PAYABLES AND ACCRUALS

	2014	2013
	HK$'000	HK$'000
Other payables	**39,503**	62,034
Accruals	**83,770**	73,096
Deposits received from customers	**4,021**	8,507
Deposit received for disposal of subsidiaries (Note 40)	**20,000**	–
Others	**7,251**	6,819
	154,545	150,456

31. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Bank loans	**2,015,887**	1,858,315
Bills discounted with recourse and debts factored with recourse	**526,129**	441,372
Import loans, export loans and trust receipts loans	**716,905**	465,850
Mortgage loans	**28,367**	30,439
	3,287,288	2,795,976
Analysed as:		
– secured	**218,244**	341,403
– unsecured	**3,069,044**	2,454,573
	3,287,288	2,795,976
Carrying amounts of bank loans that do not contain repayment on demand clause and repayable (note):		
Within one year	**296,344**	584,218
In more than one year but not more than two years	**187,992**	406,320
In more than two years but not more than three years	**585,592**	617,592
In more than three years but not more than five years	**505,495**	–
Sub-total	**1,575,423**	1,608,130
Carrying amounts of bank loans that contain repayment on demand clause and repayable (note):		
Within one year	**1,684,468**	1,157,101
In more than one year but not more than two years	**3,281**	3,347
In more than two years but not more than three years	**2,184**	3,281
In more than three years but not more than four years	**2,224**	2,184
In more than four years but not more than five years	**11,680**	2,224
In more than five years	**8,028**	19,709
Sub-total (shown under current liabilities)	**1,711,865**	1,187,846
Total	**3,287,288**	2,795,976
Less: Amounts shown as current liabilities	**(2,008,209)**	(1,772,064)
Amounts shown as non-current liabilities	**1,279,079**	1,023,912

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

The above includes syndicated loans of HK$1,504,899,000 (2013: HK$1,316,726,000) which bears interest at HIBOR plus 2.44% per annum or LIBOR plus 2.44% per annum with a tenure of 3.5 years (2013: HIBOR plus 2.93% per annum or LIBOR plus 2.93% per annum with a tenure of 2 years). The Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 1% to 2.5% per annum, LIBOR plus 1.25% to 2.44% per annum or the PBOC Prescribed Rate times 1.1 to 1.25 per annum for the year ended 31 March 2014 (2013: HIBOR plus 0.85% to 2.70%, LIBOR plus 0.85% to 2.93% per annum or the PBOC Prescribed Rate times 1.1 to 1.2 per annum). The range of effective interest rates of the Group's bank borrowings are 1.45% to 7.5% per annum (2013: 1.05% to 7.28% per annum).

31. BANK BORROWINGS (continued)

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

	2014 HK$'000	2013 HK$'000
HK$	**15,293**	17,806
US$	**366,099**	543,271

32. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2012, 31 March 2013 and 31 March 2014	**40,000,000,000**	**400,000**
Issued and fully paid:		
As at 1 April 2012	1,547,356,666	15,474
Issue of shares pursuant to scrip dividend scheme for 2012 final dividend (note i)	40,240,330	402
Issue of shares pursuant to scrip dividend scheme for 2013 interim dividend (note ii)	35,241,593	352
As at 31 March 2013	1,622,838,589	16,228
Issue of shares pursuant to scrip dividend scheme for 2013 final dividend (note iii)	32,833,288	328
Issue of shares pursuant to scrip dividend scheme for 2014 interim dividend (note iv)	30,160,728	302
Exercise of share option (Note 33)	12,850,000	129
Exercise of unlisted warrants (note v)	50,000,000	500
As at 31 March 2014	**1,748,682,605**	**17,487**

32. SHARE CAPITAL (continued)

notes:

(i) 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.

(ii) 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.

(iii) On 25 October 2013, the Company issued and allotted a total of 32,833,288 shares of HK$0.01 each at an issue price of HK$1.0089 each in lieu of cash for the 2013 final dividends pursuant to the scrip dividend circular to shareholders dated 19 September 2013. These shares ranked pari passu in all respects with the then existing shares.

(iv) On 6 March 2014, the Company issued and allotted a total of 30,160,728 shares of HK$0.01 each at an issue price of HK$1.1096 each in lieu of cash for the 2014 interim dividends pursuant to the scrip dividend circular to shareholders dated 16 January 2014. These shares ranked pari passu in all respects with the then existing shares.

(v) 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.

All warrants were exercised during the year ended 31 March 2014.

33. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme of the Company

On 15 March 2011, a new share option scheme (the "2011 Scheme") of the Company was approved and adopted pursuant to an ordinary resolution, upon the expiry of the Company's then existing share option scheme. The terms of the 2011 Scheme and the expired Scheme (collectively the "Schemes") are broadly similar. The 2011 Scheme is effective for a period of 10 years. The Schemes were adopted for the primary purpose of providing incentives or rewards to selected participants for their contributions to the Group. Under the Schemes, 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 in the Company.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Schemes 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 Schemes and any other share option scheme of the Group) to be granted under the Schemes and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on 15 March 2011. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the Shareholders, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Schemes 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.

33. 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:

				Number of option shares						
Category	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1.4.2012	Granted during the year	Lapsed during the year	Outstanding at 31.3.2013	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2014
Directors										
Mr. Li Ming Hung	2 April 2012	0.782	2.4.2012-1.4.2017	–	1,200,000	–	1,200,000	–	–	**1,200,000**
Mr. Chen Tien Tui	2 April 2012	0.782	2.4.2012-1.4.2017	–	1,200,000	–	1,200,000	–	–	**1,200,000**
Mr. Lee Yuen Chiu, Andy	2 April 2012	0.782	2.4.2012-1.4.2017	–	5,000,000	–	5,000,000	–	–	**5,000,000**
Mr. Choi Lin Hung	2 April 2012	0.782	2.4.2012-1.4.2017	–	12,000,000	–	12,000,000	–	–	**12,000,000**
Employees	2 April 2012	0.782	2.4.2012-1.4.2017	–	100,600,000	(450,000)	100,150,000	(12,850,000)	(50,000)	**87,250,000**
				–	120,000,000	(450,000)	119,550,000	(12,850,000)	(50,000)	**106,650,000**
Exercisable at the end of the year				–			119,550,000			**106,650,000**
Weighted average exercise price (HK$)				–	0.782	–	0.782	0.782		**0.782**

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 Shares 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 share price of the Company's 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.

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme of Ford Glory Group Holdings Limited

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 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 a share.

33. 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:

Category	Date of grant	Vesting period	Exercise price HK$	Exercisable period	Number of share options: Outstanding at 1.4.2012	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2013	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2014
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											
Mr. Ng Tsze Lun (note i)	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	21,000,000	-	-	21,000,000	-	-	**21,000,000**
	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 (note ii)	2 June 2010	5.10.2010-4.10.2012	0.6	5.10.2012-31.5.2020	8,850,000	(120,000)	(650,000)	8,080,000	(7,630,000)	(100,000)	**350,000**
	27 April 2011	27.4.2011-26.4.2013	0.844	27.4.2013-26.4.2016	5,465,000	-	(385,000)	5,080,000	(4,512,000)	(103,000)	**465,000**
					83,015,000	(120,000)	(1,035,000)	81,860,000	(12,142,000)	(203,000)	**69,515,000**
Exercisable at the end of the year					-			39,780,000			**69,515,000**

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 (Chapter 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$1.43.

33. 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 Directors' best estimate. 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 HK$1,004,000 for the year ended 31 March 2014 with reference to the vesting period (2013: HK$12,060,000).

34. 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:

	2014 HK$'000	2013 HK$'000
Deferred tax assets	**2,329**	1,835
Deferred tax liabilities	**(84,562)**	(86,872)
	(82,233)	(85,037)

34. 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 HK$'000	Accelerated tax and accounting depreciation HK$'000	Dividend withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1 April 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
Exchange differences	–	–	93	–	93
(Credit) charge to profit or loss	(3,464)	(335)	1,208	(306)	(2,897)
At 31 March 2014	**70,059**	**(1,421)**	**16,194**	**(2,599)**	**82,233**

At the end of the reporting period, the Group had unused tax losses of approximately HK$71,316,000 (2013: HK$30,477,000) available for offset against future profits. Tax losses of approximately HK$416,000 (2013: nil) were released on deregistration of a subsidiary. No tax loss was expired during the year ended 31 March 2014 (2013: nil). No deferred tax asset on the unused tax losses of HK$71,316,000 (2013: HK$30,477,000) 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$56,276,000 (2013: HK$60,978,000) in respect of accelerated accounting depreciation. A deferred tax asset has been recognised to the extent of HK$8,612,000 (2013: HK$6,582,000). No deferred tax asset has been recognised in respect of the remaining deductible temporary difference of HK$47,664,000 (2013: HK$54,396,000) 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.

35. MAJOR NON-CASH TRANSACTIONS

Detail of scrip dividends in lieu of cash are set out in Note 32.

36. PLEDGE OF ASSETS

As at 31 March 2014, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2014	2013
	HK$'000	HK$'000
Property, plant and equipment	**158,583**	162,197
Investment property	**31,200**	32,000
Prepaid lease payments	**204,731**	211,390
Other assets	**7,124**	7,124
	401,638	412,711

37. COMMITMENTS

(i) Capital commitments

	2014 HK$'000	2013 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	**107,307**	84,514

(ii) Operating lease commitments

The Group as lessee

	2014 HK$'000	2013 HK$'000
Minimum lease payments paid under operating leases in respect of office premises and warehouses during the year	**15,740**	11,981

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:

	2014 HK$'000	2013 HK$'000
Within one year	**12,200**	13,324
In the second to fifth year inclusive	**25,927**	14,068
	38,127	27,392

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$1,800,000 (2013: HK$954,000) 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 2014:

	2014 HK$'000	2013 HK$'000
Investments in subsidiaries	**2,512,334**	2,512,334
Amounts due from subsidiaries	**493,916**	206,650
Others	**2,978**	894
	3,009,228	2,719,878
Other payables	**2,716**	2,102
Amount due to subsidiaries	**13,439**	1,632
	16,155	3,734
	2,993,073	2,716,144
Capital and reserves		
Share capital	**17,487**	16,228
Reserves (note)	**2,975,586**	2,699,916
	2,993,073	2,716,144

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 2012	1,587,725	39	–	–	–	928,080	2,515,844
Profit for the year	–	–	–	–	–	171,372	171,372
2012 Final dividend declared	–	–	–	–	38,684	(38,684)	–
2013 Interim dividend declared	–	–	–	–	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 warrants	–	–	–	500	–	–	500
At 31 March 2013	1,642,061	39	28,194	500	–	1,029,122	2,699,916
Profit for the year	–	–	–	–	–	248,644	248,644
2013 Final dividend declared	–	–	–	–	41,465	(41,465)	–
2014 Interim dividend declared	–	–	–	–	51,391	(51,391)	–
Issue of shares under scrip dividend for 2013 final	32,797	–	–	–	(33,125)	–	(328)
Issue of shares under scrip dividend for 2014 interim	33,165	–	–	–	(33,467)	–	(302)
Dividends paid in cash	–	–	–	–	(26,264)	–	(26,264)
Exercise of share option	12,950	–	(3,030)	–	–	–	9,920
Lapse of share option	–	–	(12)	–	–	12	–
Exercise of warrants	44,500	–	–	(500)	–	–	44,000
At 31 March 2014	**1,765,473**	**39**	**25,152**	**–**	**–**	**1,184,922**	**2,975,586**

39. RELATED PARTY DISCLOSURES

The Group entered into the following transactions with related parties:

(i) During the year ended 31 March 2014, the Group paid operating lease rental of approximately HK$108,000 (2013: 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 2014, the Group paid operating lease rental of approximately HK$876,000 (2013: HK$438,000) 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 2014, the Group paid operating lease rental of approximately HK$816,000 (2013: HK$408,000) 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) The remuneration of Directors and other members of key management during the year was as follows:

	2014 **HK$'000**	2013 HK$'000
Short-term benefits	**22,081**	21,665
Share-based payments	**–**	5,286
Post employment benefits	**274**	265
	22,355	27,216

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

40. EVENT AFTER REPORTING PERIOD

On 14 March 2014, Sure Strategy and VC Investments, subsidiaries of the Company, Merlotte, a minority shareholder of a subsidiary of the Company, and an independent third party (the "Purchaser") entered into a Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and Sure Strategy, VC Investments and Merlotte conditionally agreed to sell their aggregate 71.07% equity interest in FGG at an aggregate cash consideration of HK$258,560,000 (the "Disposal").

Upon signing of the sale and purchase agreement in relation to the Disposal, HK$20,000,000 has been paid by the Purchaser to Sure Strategy as a refundable deposit, which is included in other payable at 31 March 2014.

On the same date, Sure Strategy and FGG entered into an agreement pursuant to which Sure Strategy conditionally agreed to acquire and FGG conditionally agreed to dispose of its entire equity interest in FG Holdings and certain of its subsidiaries (the "Target Group") at a cash consideration of HK$270,000,000 (the "Acquisition"). The Target Group are principally engaged in the manufacturing and sales of garment products by the self-owned factories of the Target Group in the PRC, Indonesia, Cambodia and Jordan based on design and specifications provided by customers.

The Completion of the Disposal is conditional upon, among other things, completion of the Acquisition.

Upon completion of the Acquisition and Disposal, the Group will be entitled to a special cash dividend from FGG on a basis of HK$0.720 per FGG share.

The Target Group are subsidiaries of the Company since incorporation or being acquired by the Group. The Acquisition will result in changes in shareholding of the Target Group companies, without changes in its controls over them. Accordingly, the Acquisition is accounted for as an equity transaction and no goodwill will be recognised upon completion of the Acquisition.

The Acquisition and the Disposal is not yet completed up to the date when the financial statements are authorised for issue. Details of the Acquisition and the Disposal are set out in the Company's circular dated 18 June 2014.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2014 and 2013 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 2014	Attributable to the Group 2013	Held by the Company 2014	Held by the Company 2013	Held by subsidiaries 2014	Held by subsidiaries 2013	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	**100**	100	**-**	–	**100**	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	**100**	100	**-**	–	**100**	100	Trading of dyed yarn
Elite Sound Investment Limited	Hong Kong	Ordinary HK$1	**100**	100	**-**	–	**100**	100	Investment holding
FG Holdings (note vi)	British Virgin Islands	Ordinary US$100	**36.2**	37.3	**-**	–	**100**	100	Investment holding
FGG (note v)	Bermuda	Ordinary HK$4,502,620	**36.2**	37.3	**-**	–	**70.5**	72.5	Investment holding
FG International (note vi)	Hong Kong	Ordinary HK$5,000,000	**36.2**	37.3	**-**	–	**100**	100	Trading of garment products
Global Honour Investments Limited	British Virgin Islands	Ordinary US$1	**100**	100	**-**	–	**100**	100	Investment holding
Glory Time Limited (note vi)	Hong Kong	Ordinary HK$100	**25.3**	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
Jiangmen V-Apparel Manufacturing Ltd. (notes iii and vi)	PRC	Registered HK$31,260,000	**36.2**	37.3	**-**	–	**100**	100	Manufacture of garment products
Nanjing Synergy Textiles Limited (note iii)	PRC	Registered US$39,000,000	**100**	100	**-**	–	**100**	100	Manufacture and sales of yarn
PT. Victory Apparel Semarang (note vi)	Indonesia	Ordinary US$300,000	**36.2**	37.3	**-**	–	**100**	100	Manufacture of garment products
Sure Strategy	British Virgin Islands	Ordinary US$100	**51**	51	**-**	–	**51**	51	Investment holding
Value Plus (Macao Commercial Offshore) Limited (note vi)	Macau	MOP100,000	**36.2**	37.3	**-**	–	**100**	100	Provision of quality inspection services and trading of fabric
Victory Apparel (Jordan) Manufacturing Company Limited (note vi)	Jordan	Ordinary JD50,000	**36.2**	37.3	**-**	–	**100**	100	Manufacture of garment products

41. 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 2014	Attributable to the Group 2013	Held by the Company 2014	Held by the Company 2013	Held by subsidiaries 2014	Held by subsidiaries 2013	Principal activities
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
VC Investments	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$57,694,165	**100**	100	**-**	–	**100**	100	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 (note iii)	PRC	US$8,230,182	**100**	100	**-**	–	**100**	100	Dyeing of yarn and provision of related subcontracting services
福之源貿易(上海)有限公司 (notes iii and vi)	PRC	Registered RMB1,000,000	**36.2**	37.3	**-**	–	**100**	100	Trading of garment products and accessories
江門市冠達化工科技有限公司 (formerly known as 江門市冠達紡織材料有限公司) (note iii)	PRC	(note iv)	**90**	90	**-**	–	**90**	90	Mixing of chemicals and production of resin

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 of the Company, 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 江門市冠達化工科技有限公司 (formerly known as 江門市冠達紡織材料有限公司) was approximately RMB46,000,000 as at 31 March 2014 (2013: RMB31,100,000).

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

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

None of the subsidiaries had any debt securities subsisting at 31 March 2014 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. In addition, the Group has 30 inactive/dormant subsidiaries. To give details of these inactive/dormant subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
FGG	Bermuda	**63.8%**	62.7%	**11,664**	7,013	**252,303**	233,990
Individually immaterial subsidiary with non-controlling interests						**6,238**	15,241
						258,541	249,231

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Summarised consolidated financial information in respect of the FGG, which has material non-controlling interests, and its subsidiaries is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

	FGG	
	2014	2013
	HK$'000	HK$'000
		(restated)
Current assets	**429,472**	463,501
Non-current assets	**163,331**	169,093
Current liabilities	**210,743**	268,285
Non-current liabilities	**3,800**	4,033
Equity attributable to owners of the Company	**127,675**	120,623
Non-controlling interests	**252,303**	233,990
Revenue	**937,075**	1,071,162
Expenses, other income and other gains or losses	**(925,497)**	(1,063,893)
Profit for the year	**11,578**	7,269
Other comprehensive income (expense) for the year	**1,505**	(364)
Total comprehensive income for the year	**13,083**	6,905
Profit for the year attributable to non-controlling interests	**11,664**	7,013
Total comprehensive income for the year attributable to the non-controlling interests	**13,047**	6,775
Dividends paid to non-controlling interests	**1,273**	–
Net cash (outflow) inflow from operating activities	**(39,068)**	19,731
Net cash outflow from investing activities	**(15,015)**	(38,256)
Net cash (outflow) inflow from financing activities	**(41,963)**	56,722
Net cash (outflow) inflow	**(96,046)**	38,197