# FORD GLORY GROUP HOLDINGS LIMITED
# 福源集團控股有限公司*

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號：1682


ANNUAL REPORT **2014** 年報

* For identification purpose only 僅供識別

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Choi Lin Hung *(chairman and chief executive officer)*
Lau Kwok Wa, Stanley
Ng Tze On

### Non-Executive Directors

Chen Tien Tui
Li Ming Hung

### Independent Non-Executive Directors

Lau Chi Kit
Mak Chi Yan
Wong Wai Kit, Louis
Yuen Kin Kei

## COMPANY SECRETARY

Lee Chung Shing

## AUDIT COMMITTEE

Yuen Kin Kei *(chairman)*
Lau Chi Kit
Mak Chi Yan
Wong Wai Kit, Louis

## REMUNERATION COMMITTEE

Mak Chi Yan *(chairman)*
Lau Chi Kit
Wong Wai Kit, Louis
Yuen Kin Kei
Choi Lin Hung

## NOMINATION COMMITTEE

Choi Lin Hung *(chairman)*
Lau Chi Kit
Mak Chi Yan

## 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
DBS Bank (Hong Kong) Limited
China CITIC Bank International Limited
Wing Hang Bank, Limited
Australia and New Zealand Banking Group Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

19/F, Ford Glory Plaza
37-39 Wing Hong Street
Cheung Sha Wan
Kowloon
Hong Kong

## STOCK CODE

1682

## COMPANY WEBSITE

www.fordglory.com.hk

# Financial Summary

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | **2014** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Revenue | 894,351 | 902,878 | 909,908 | 1,071,162 | **937,075** |
| Profit before tax | 47,960 | 31,245 | 11,097 | 17,776 | **16,436** |
| Income tax expense | (7,115) | (10,053) | (3,377) | (10,507) | **(4,858)** |
| Profit for the year | 40,845 | 21,192 | 7,720 | 7,269 | **11,578** |
| Attributable to: | | | | | |
| Owners of the Company | 35,480 | 17,225 | 7,256 | 11,178 | **18,961** |
| Non-controlling interests | 5,365 | 3,967 | 464 | (3,909) | **(7,383)** |
| | 40,845 | 21,192 | 7,720 | 7,269 | **11,578** |

## ASSETS AND LIABILITIES

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | **2014** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| | (restated) | (restated) | (restated) | (restated) | |
| Total assets | 505,699 | 557,537 | 573,145 | 632,594 | **592,803** |
| Total liabilities | (269,242) | (230,957) | (231,906) | (272,318) | **(214,543)** |
| | 236,457 | 326,580 | 341,239 | 360,276 | **378,260** |
| Equity attributable to: | | | | | |
| Owners of the Company | 229,582 | 315,240 | 331,682 | 354,613 | **379,978** |
| Non-controlling interests | 6,875 | 11,340 | 9,557 | 5,663 | **(1,718)** |
| | 236,457 | 326,580 | 341,239 | 360,276 | **378,260** |

# Chairman's Statement

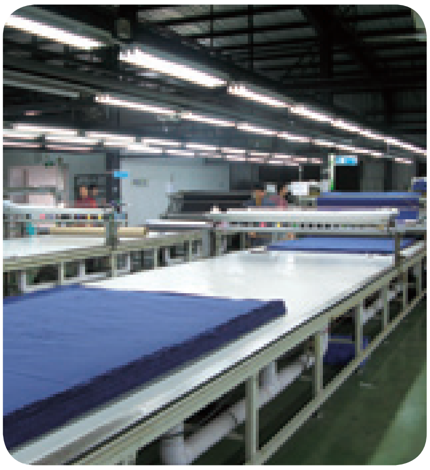

On behalf of the board (the "Board") of directors (the "Directors") of Ford Glory Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the Group's audited consolidated results for the year ended 31 March 2014.

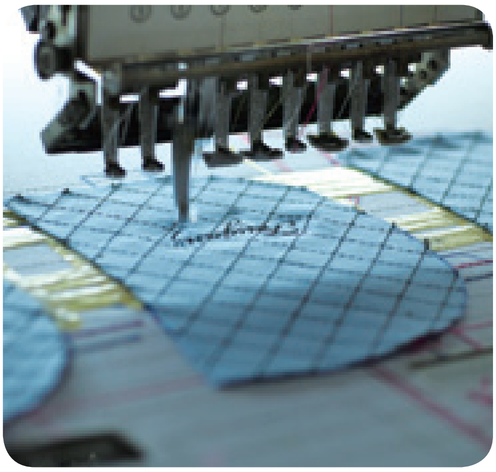
## BUSINESS REVIEW

During the year ended 31 March 2014, China's garment industry continued to operate in a challenging environment and the global garment market presented a mixed picture. The economy of the United States of America (the "US" or "USA") has gradually shown a soft rebound. According to the U.S. International Trade Administration, import value of apparel products to the US in the first quarter of 2014 has increased to approximately US$80,409 million from approximately US$77,362 million, representing a growth of approximately 3.9% year-on-year. In addition, the key data issued by The European Apparel and Textile Confederation also estimated that clothing import of the Eurozone reached approximately Euro 67.0 billion in 2013 (2012: Euro 65.9 billion), showing a modest uptrend. Domestically, retail sales growth in the People's Republic of China (the "PRC") has been decelerating gradually in recent years. In 2013, despite that the growth rate of total retail sales of consumer goods was a respectable 13.1% year-on-year, it was the lowest since 2007 according to the National Bureau of Statistics of China. This moderation in retail sales growth has seen buyers and merchandisers slowing their order placing in the year. Nonetheless, the Group's strategic view and advanced planning to branch out its production and sourcing network to offshore countries that started a few years ago is now paying off, the Group was able to counterbalance the impact from weakened domestic need. In contrast, preparing for the revival in demand from the US and the Eurozone, and maximising the import duty privileges that the Group enjoys due to its production bases located in Cambodia and Jordan, the Group is optimistic that the garment business will remain solid and the Group is ready to seize the opportunities arising from the rebound in the international market.

For the year ended 31 March 2014, the Group's revenue decreased by approximately 12.5% year-on-year, to approximately HK$937 million (2013: HK$1,071 million). This was mainly attributable to (i) downsizing of the factory in the PRC due to slowdown in the 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.

Gross profit decreased by approximately 3.1% to approximately HK$167 million (2013: HK$172 million) whilst gross profit margin improved to approximately 17.8% (2013: 16.1%). This was attributable to the stable growth of the Group's higher-margin garment manufacturing business from brand-name customers. Profit attributable to owners of the Company amounted to approximately






HK$19.0 million, representing an increase of approximately 69.6%. Profit for the year was approximately HK$11.6 million representing an increase of approximately 59.3% from last year (2013: HK$7.3 million).

## Garment Manufacturing Business

Revenue of the Group's manufacturing segment decreased by approximately 10.4% to approximately HK$484 million, which accounted for approximately 51.6% of the Group's revenue. This was mainly attributable to the decrease in sales to PRC domestic customers due to a weak PRC market.

The Group has four 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 the Group to exploit the respective competitive advantages of each production base and thus enhance efficiency and profitability.

During the year ended 31 March 2014, the Group's order books remained solid, with a steady inflow of orders from brand-name customers. Amongst all, the production base in Jordan recorded the most noticeable growth. The duty-free privilege of the plant in Jordan has drawn in a good amount of orders, coupled with the expanded capacity during the second half of the year, facilitated its revenue to increase steadily. The plant in Indonesia has also attracted a satisfactory volume of orders from the US by capturing the pricing advantage from Indonesian Rupiah's depreciation against the US Dollar. The increasingly sophisticated workmanship of these plants helped the Group in retaining reputable brand-name customers.

The aforementioned joint venture and garment sourcing business accounted for approximately 47% of the Group's turnover for the year ended 31 March 2014.

# Chairman's Statement (Continued)


The Group acts as a one-stop sourcing management supplier to customers worldwide, providing a comprehensive range of sourcing management services and expertise including product design and product development, sampling, product offering, sourcing, outsourcing, logistics and delivery and overseas sales. Customers of our garment sourcing business mainly comprise overseas brand owners, megastores, department stores, supermarket chains and importers. During the year ended 31 March 2014, the Group continued in innovating and providing up-to-date designs, and maintaining stringent quality control in order to cater for our customers' changing needs and requirements.

## Retail Business

The Group started a retail business in Hong Kong and the PRC by launching the T-shirt brand "teelocker" in 2010. "teelocker" is a brand that features personality and creativity, targeting the new generation with strong spending power. During the year ended 31 March 2014, the Group has decided to adjust teelocker's operational strategy with a goal to concentrate resources on its online platform. The Group believes that the new focus on virtual channels is more cost-effective and will facilitate "teelocker" in extending its global reach. Even though a short-term loss was recorded in the segment, the Group envisages that profitability of the retail business will gradually rise as the new strategy rolls out and reaches scale.






## Major Movement

On 14 March 2014, the Company's major shareholders, namely Sure Strategy Limited ("Sure Strategy", a beneficially-owned subsidiary of Victory City International Holdings Limited ("VC")), Merlotte Enterprise Limited ("Merlotte") and Victory City Investments Limited (a direct wholly-owned subsidiary of VC) had conditionally agreed to sell the aggregate interest of 320,000,000 shares of the Company (approximately 61.56% of the entire issued share capital 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 share (the "Share Sale"). This constitutes a discloseable and connected transaction for VC and is subject to the independent shareholders' approval of VC.

As Unitech would only take over the garment sourcing business of the Company and as one of the conditions precedent to the Share Sale, the Company agreed to dispose of and Sure Strategy agreed to acquire the garment manufacturing business of the Company for HK$270,000,000 in cash (the "Disposal"). Since Sure Strategy is owned as to 51% by VC, VC will be able to retain the garment manufacturing business to complement its existing textile business upon completion. This constitutes a very substantial disposal for the Company and a discloseable and connected transaction for VC. Therefore, the Disposal is subject to the approval of the Company's independent shareholders and VC's independent shareholders.

With the net proceeds to be received from the Disposal and the credit arising from the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company, the Board proposed a special cash dividend of HK$0.72 per share to shareholders of the Company (the "Shareholders"). This is subject to the approval of the Shareholders.

Subject to completion of the Share Sale, Kingston Securities Limited will, on behalf of Unitech, make mandatory unconditional cash offers (i) to acquire all the issued shares of the Company not already owned and/or agreed to be acquired by Unitech (if any) and/or parties acting in concert with Unitech at HK$0.808 in cash per share; and (ii) to cancel all the outstanding share options of the Company ("Share Options", and each share to be issued upon exercise of the outstanding Share Options, an "Option Share") at HK$0.208 and HK$0.0001 in cash for each Share Option with an exercise price of HK$0.600 and HK$0.844 per Option Share, respectively.

Subject to the approval of the Shareholders and completion of the Share Sale, the name of the Company is expected to be changed to "Highlight China IoT International Limited" (「高鋭中國物聯網國際有限公司」).

## PROSPECT

Subject to completion of the Share Sale and the Disposal, the Company will be principally engaged in the garment sourcing business and will develop a sustainable corporate strategy to broaden its income stream.

The Company's garment sourcing business has established long and solid relationships with the top customers of the garment sourcing business. Going forward, the Company will continue to undertake strategies to enhance the competitiveness of its garment sourcing business, which include, but not limited to, expanding its product range, keeping abreast with global trends and identifying new consumer preferences, and improving quality assurance and control in order to enhance relationship with existing customers, as well as soliciting potential new customers.

Also, subject to completion of the Share Sale and the Disposal, the management of the Group may explore new business opportunities relating to the internet, IoT ("Internet of Things"), Tri-Network Integration and new media industries by utilising its experience and resources, including but not limited to acquisition or investment through joint ventures to be established with third parties in the PRC and/or overseas.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and employees for their commitments, hard work and loyalty to the Group. I would also like to extend my deepest thanks to our customers, bankers, business partners and Shareholders for their continual support.

**Choi Lin Hung**
*Chairman*

Hong Kong
27 June 2014

# Management Discussion and Analysis

## FINANCIAL REVIEW

The Group's revenue was approximately HK$937 million for the year (2013: HK1,071 million). Gross profit for the year was approximately HK$167 million representing approximately 17.8% of turnover (2013: 16.1%). Profit attributable to owners of the Company was approximately HK$19 million, representing an approximately 69.6% increase as compared to that of last year (2013: HK$11 million). This was mainly attributable to the contribution of the Group's production base in Jordan and the expansion of the Group's production base in Cambodia that enhanced the Group's competitiveness with lower labour costs and duty saving privilege.

The Group's inventory level was approximately HK$181 million as at 31 March 2014 (2013: HK$133 million). The increase was mainly attributable to the expansion in capacities of the factories in Jordan, Indonesia and Cambodia.

The Group's deposits, prepayments and other receivables was approximately HK$82 million as at 31 March 2014 (2013: HK$55 million). These were mainly deposits paid to fabric suppliers and sub-contract manufacturers to secure raw materials supply and production capacity in order to safeguard target profit margin.

Trade and bills payables as at this year end was approximately HK$48 million (2013: 69 million). These payables were mainly for purchases of raw materials for the Group's production bases, as well as garment products directly for the Group's customers.

### Liquidity and Financial Resources

The Group continued to maintain a healthy financial position for the year under review with cash and cash equivalents amounted to approximately HK$46 million as at 31 March 2014. Total bank borrowings of the Group as at 31 March 2014 was approximately HK$111 million including a mortgage loan of approximately HK$15 million of which approximately HK$14 million is repayable after one year, all the remaining bank borrowings of approximately HK$97 million are repayable within one year.

As at 31 March 2014, the Group's gearing ratio, being defined as net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity, was approximately 17.1% (2013: 4.1%). The Group's current ratio was approximately 2.0 (2013: 1.7).

For the year under review and as at 31 March 2014, the Group's bank borrowings were in Hong Kong dollars ("HK$") and US dollars ("US$"), and the majority of interest-bearing bank borrowings of the Group were on Hong Kong Interbank Offer Rate ("HIBOR") and London Interbank Offer Rate ("LIBOR") basis.

### Foreign Exchange Risk Management

Most of the Group's cash balances were deposits in US$, HK$ and Renminbi ("RMB") with major global financial institutions and most of the Group's monetary assets, revenue, monetary liabilities and payments were held in US$, HK$ and RMB. As foreign exchange rate of RMB is expected to fluctuate, the Group has entered into forward contracts during the year to hedge some of the risks. Considering the Group's monetary assets in RMB is more than its monetary liabilities in RMB, the Directors consider that the risk exposure in RMB is manageable.

Foreign exchange risks arising from sales and purchases transacted in different currencies are normally managed by the Group through the use of foreign exchange forward contracts. Pursuant to the Group's policy in place, foreign exchange forward contracts or any other financial derivatives contracts are entered into by the Group for hedging purposes. The Group has not entered into any financial derivatives contracts for speculation.

### Capital Expenditure and Commitments

During the year, the Group invested approximately HK$16 million (2013: HK$47 million) on additions to property, plant and equipment.

As at 31 March 2014, the Group had no commitments (as at 31 March 2013: Nil) in respect of acquisition of new machineries and improvements on rented factory plant.

# Management Discussion and Analysis (Continued)

## Charges on Assets

As at 31 March 2014, certain properties of the Group with net book value of approximately HK$26 million (2013: HK$27 million) were pledged to a bank to secure banking facilities granted.

## Employee Information

As at 31 March 2014, the Group had a total workforce of 4,511 of whom 969 were in Indonesia; 732 were based in the PRC; 1,575 were in Jordan; 1,165 were in Cambodia; and 70 were located in Hong Kong and other places. The Group offers its employees competitive remuneration schemes which are generally structured in reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. In addition, bonuses are normally paid to those eligible based on the Group's and individual's performance.

The Company maintains a share option scheme (the "Share Option Scheme"), pursuant to which share options are granted to selected eligible participants including employees of the Group, with a view to providing those eligible participants with appropriate incentive to contribute to the success of the Group.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Choi Lin Hung**, aged 52, is the chairman and chief executive officer of the Company. He was appointed as an executive Director on 8 April 2010 with a director's service contract commenced on 8 September 2010. Mr. Choi is responsible for strategic planning and overseeing the overall operation and general management of the Group. He is a director of Brilliant Fashion Inc., Ford Glory (Cambodia) Manufacturing Limited ("FG Cambodia"), Ford Glory Holdings Limited ("FG Holdings"), Ford Glory Inc., Ford Glory International Limited ("FG International"), Green Expert Global Limited ("Green Expert"), Global Trend Investments Limited ("Global Trend"), Glory Time Limited, Gojifashion Inc., Happy Noble Holdings Limited, Jerash Garments and Fashions Manufacturing Company Limited ("Jerash"), Major Time Limited ("Major Time"), Mayer Apparel Limited ("Mayer"), MT Studio Inc. ("MT Studio"), One Sino Limited, PT. Victory Apparel Semarang, Rocwide Limited ("Rocwide"), Sky Winner Investment Limited, Surefaith Limited ("Surefaith"), Top Star Limited ("Top Star"), Top Value Inc., Value Plus (Macao Commercial Offshore) Limited ("Value Plus"), Wealth Choice Limited ("Wealth Choice"), Jiangmen V-Apparel Manufacturing Ltd. ("Jiangmen V-Apparel"), 福之源貿易(上海)有限公司("福之源"), Talent Partner Holdings Limited ("Talent Partner"), Teelocker Limited, Best Keen International Limited and United Gainer Investment Limited ("United Gainer").

He was awarded a professional diploma in Company Secretaryship and Administration by The Hong Kong Polytechnic, the former of The Hong Kong Polytechnic University, in 1985. He obtained a master's degree in Business Administration from the University of Sheffield, the United Kingdom, in 1987. Prior to joining the Group in 1998, Mr. Choi had worked in Deutsche Bank and First Pacific Bank and had obtained extensive experience in the banking industry. Mr. Choi became an executive director of VC (stock code: 539), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in 2001 when VC and its subsidiaries (the "VC Group") acquired the Group and remains an executive director of VC up to the date hereof.

**Mr. Lau Kwok Wa, Stanley**, aged 56, was appointed as an executive Director on 8 September 2010 with a director's service contract commenced on 8 September 2010. Mr. Lau joined the Group in 2006, he became and remains a director and substantial shareholder of Mayer since he joined the Group and up to the date hereof. He is responsible for the overall operation of Mayer including marketing for Mayer. Mr. Lau obtained a bachelor's degree in Arts, majoring in History and minoring in Government and Public Administration from The Chinese University of Hong Kong in 1982. He worked as an inspector in the Customs & Excise Department in Hong Kong from 1983 to 1989.

Mr. Lau started to work in the garment field in 1993 when he joined Kyosei Company as a manager. He founded Mayer Garment Limited (美雅創業製衣有限公司) with his wife in 1997 and he worked mainly in ladies' fashion in the Japanese market. Mayer Garment Limited is held by Mr. Lau and his wife in equal shares, and is an investment holding company which holds factories, including the entire interest in 加美(清遠)製衣有限公司 (Kimberley (Qing Yuan) Garment Limited) ("Kimberley").

**Mr. Ng Tze On**, aged 62, was appointed as an executive Director on 8 April 2010 with a director's service contract commenced on 8 September 2010. He is also a director of FG Holdings, FG International, Rocwide, Surefaith, Top Star, Wealth Choice, Jiangmen V-Apparel and 福之源. He was a director of Yee On Printing (China) Limited (怡安印花廠(中國)有限公司) and Yee On Printing Factory Limited (怡安印花廠有限公司) from 1995 to 1997 and from 1986 to 1997 respectively. Mr. Ng joined the Group in 1999 as a sample coordinator. He was later promoted to the position of a manager in 2001 and has been responsible for overseeing the operations of a sample room. He has been responsible for production management since 2007. He is a brother of Mr. Ng Tsze Lun, one of the senior management members of the Group.

## NON-EXECUTIVE DIRECTORS

**Mr. Chen Tien Tui**, aged 65, was appointed as a non-executive Director on 8 September 2010. Mr. Chen is the chief executive officer and an executive director of VC and a co-founder of the VC Group. Mr. Chen is also a director of FG Holdings, FG International, Rocwide, Surefaith, Wealth Choice, Jiangmen V-Apparel and 福之源. Mr. Chen 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 VC Group. He is currently an independent non-executive director of China Lilang Limited (stock code: 1234), a company listed on the Main Board of the Stock Exchange.

## NON-EXECUTIVE DIRECTORS (Continued)

**Mr. Li Ming Hung**, aged 63, was appointed as a non-executive Director on 8 September 2010. Mr. Li is the chairman and an executive director of VC and a co-founder of the VC Group. Mr. Li is also a director of FG Holdings, Ford Glory Inc., FG International, Green Expert, Major Time, Mayer, MT Studio, Rocwide, Surefaith, Wealth Choice, Jiangmen V-Apparel, 福之源, Talent Partner and United Gainer. Mr. Li 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 VC Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lau Chi Kit**, aged 69, was appointed as an independent non-executive Director on 8 September 2010. He retired from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in December 2000 after more than 35 years of service. Among the major positions in HSBC, he was the assistant general manager and head of Personal Banking Hong Kong and assistant general manager and head of Strategic Implementation, Asia-Pacific Region. He is a fellow of the Hong Kong Institute of Bankers ("Institute"). He was the chairman of the Institute's Executive Committee (from January 1999 to December 2000). He is currently the honorary advisor of the Institute's Executive Committee. He served as a member on a number of committees appointed by the Government of the Hong Kong Special Administrative Region, including the Advisory Council on the Environment (from October 1998 to December 2001), the Advisory Committee on Human Resources Development in the Financial Services Sector (from June 2000 to May 2001), the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption (from January 2000 to December 2003), the Environment and Conservation Fund Committee (from August 2000 to October 2006), the Innovation and Technology Fund (Environment) Projects Vetting Committee (from January 2000 to December 2004) and the Law Reform Commission's Privacy Sub-committee (from February 1990 to March 2006). He also served as chairman of the Business Environment Council Limited (from September 1998 to December 2001).

He is currently an executive director of Chinlink International Holdings Limited (stock code: 997) (formerly known as "Decca Holdings Limited") and re-designated from independent non-executive director to executive director on 18 September 2013. Mr. Lau is also currently an independent non-executive director of Royale Furniture Holdings Limited (stock code: 1198) and Century Sunshine Group Holdings Limited ("Century Sunshine") (stock code: 509). All of those companies are listed on the Main Board of the Stock Exchange.

**Mr. Mak Chi Yan**, aged 51, was appointed as an independent non-executive Director on 8 September 2010. Mr. Mak obtained a bachelor's degree in Accountancy in 1996 and a master degree in Corporate Finance in 2002, both from The Hong Kong Polytechnic University. He has over 23 years' experience in securities dealing and asset management. Mr. Mak joined Sakura Finance Asia Limited in 1989 as a securities salesperson, and he was promoted to the position of assistant manager in 1992 and vice president in 1994, and remained in the same position until he left the company in 1998. He then worked in the corporate and institutional business division in HLG Securities Sdn Bhd from 1999 to 2000. Mr. Mak also worked as the associate director of UOB Kay Hian (Hong Kong) Limited, a company engaged in securities trading and investment in Asian financial markets from 2000 to 2011. Mr. Mak is currently the executive director of Genting Securities Limited, a wholly owned subsidiary of Genting Hong Kong Limited (stock code: 678) (formerly known as "Star Cruises Limited") which is listed on the Main Board of the Stock Exchange. Mr. Mak was also the senior vice president of Genting Hong Kong Limited from May 2011 to May 2012.

**Mr. Wong Wai Kit, Louis**, aged 53, was appointed as an independent non-executive Director on 8 September 2010. Mr. Wong commenced his employment at Phillip Securities (Hong Kong) Limited ("Phillip Securities") in 1993 and has over 20 years' experience in securities market. Mr. Wong was appointed as a dealing director at Phillip Securities in 1996 and has over 10 years' management experience in securities dealing. He was appointed as a responsible officer for Phillip Capital Management (HK) Limited in 2003 and gained over 9 years' experience in asset management. Mr. Wong has also been in charge of the Research Department of Phillip Securities and has over 15 years' experience in financial research. He is currently the director of Phillip Securities and Phillip Capital Management (HK) Limited. Mr. Wong obtained a bachelor's degree in Arts, majoring in English Studies and Comparative Literature and Translation, in 1982 from The University of Hong Kong.

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. Yuen Kin Kei**, aged 45, was appointed as an independent non-executive Director on 8 September 2010. He obtained a bachelor's degree in Accountancy from The Hong Kong Polytechnic, the former of The Hong Kong Polytechnic University, in 1992. He also completed the Juris Doctor program at The Chinese University of Hong Kong in 2014. He is a member of Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the Association of Chartered Certified Accountants, The Taxation Institute of Hong Kong and The Hong Kong Securities Institute. He is a Certified Public Accountant (Practising) in Hong Kong. Mr. Yuen is currently the Director – Treasury and Debt Financing of Shun Tak Holdings Limited ("Shun Tak") (stock code: 242), a company listed on the Main Board of the Stock Exchange, responsible for corporate finance affairs. He has 15 years' of experience in corporate finance, debt and equity fund raising and treasury management with Shun Tak. Prior to joining Shun Tak in July 1999, he spent 7 years in total with another listed company in Hong Kong and an international accounting firm.

## SENIOR MANAGEMENT

**Mr. Ng Tsze Lun**, aged 59, is the marketing director of the Group. He is a brother of Mr. Ng Tze On, an executive Director. Mr. Ng is responsible for overseeing the daily operation and marketing of the garment products of the Group. He is also a director of FG Cambodia, FG Holdings, FG International, Surefaith, Value Plus and Wealth Choice. Prior to joining the Group in 1998, Mr. Ng has 13 years' experience in trading. Mr. Ng was a director of a garment manufacturing company from 1986 to 1998.

**Mr. Lee Chung Shing**, aged 47, was appointed as the company secretary of the Company on 1 May 2012. He is also currently the financial controller and company secretary of VC. Mr. Lee is an associate member of the Chartered Institute of Management Accountants and an associate member of the HKICPA. Mr. Lee joined VC 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.

**Ms. Cheng Sylvia**, aged 49, is a general merchandising manager of FG International. She joined the Group in 2000. Ms. Cheng obtained a diploma in Management Studies jointly organised by The Hong Kong Polytechnic University and the Hong Kong Management Association in 2000. Prior to joining the Group, Ms. Cheng had around 9 years' experience in the field of garment merchandising. Ms. Cheng worked as personal assistant to the general manager of US womenswear, kids and Susie Tompkins divisions in Esprit de Corp (Far East) Ltd. from 1991 to 1993, as an executive assistant to the managing director and a senior merchandiser in Namon Ltd. from 1993 to 1998, as a senior merchandiser in Mechantex Ltd. from 1998 to 1999 and as a senior merchandiser (and later promoted to assistant merchandising manager) in Associated Clothing Company (Hong Kong) Ltd. from 1999 to 2000.

**Ms. Cheng Kam Wan**, aged 50, is a general merchandising manager of FG International. Ms. Cheng joined the Group in 2002. Ms. Cheng was awarded a craft certificate in light clothing manufacture by the Vocational Training Council in 1987. Ms. Cheng has more than 20 years of experience in garment merchandising. She worked as a senior merchandiser in Jefferson International Ltd. from 1988 to 1989, as a men's shirt merchandiser and later was promoted to the position of section manager responsible for the ladies', men's, children and babies' knit and woven businesses of local and overseas offices in Mondial Services (Hong Kong) Ltd. from 1989 to 2002.

**Ms. Leung Suk Hing**, aged 48, is a merchandising manager of FG International. In 1986, she completed a training course in quality control inspection in Clothing Industry Training Authority. Ms. Leung worked in a garment manufacturing company as a product clerk since 1983. In 1989, she joined a trading company as a merchandiser. From 1993 to 2000, she worked in three garment companies as a merchandiser. Ms. Leung joined the Group in 2000.

**Mr. Cheuk Tak Kwong**, aged 55, is the production executive of PT. Victory Apparel Semarang, the Group's wholly-owned factory located in Indonesia. Mr. Cheuk is also a director of PT. Victory Apparel Semarang. He is responsible for overseeing the day-to-day operations of the factory. From 1984 to 1998, he worked in two trading companies as a merchandiser. He joined the Group in 2000.

# Report of the Directors

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the trading and manufacturing of garment products and provision of quality inspection services. The activities of its principal subsidiaries are set out in Note 38 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 32.

An interim dividend of HK1.0 cent per ordinary share amounting to HK$4,488,000 in aggregate was paid to the Shareholders during the year.

The Directors do not recommend the payment of a final dividend and propose that the profit for the year be retained. Details of dividend for last year are set out in Note 12 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$16,072,000 for the expansion of its business. Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 35.

The Company's reserves available for distribution to Shareholders as at 31 March 2014, represented by its accumulated profits, were approximately HK$491,000 (2013: Nil).

## SHARE CAPITAL

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

## PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2014.

## DIRECTORS AND SERVICE CONTRACTS

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

**Executive Directors:**
Mr. Choi Lin Hung *(Chairman and chief executive officer)*
Mr. Lau Kwok Wa, Stanley
Mr. Ng Tze On

**Non-executive Directors:**
Mr. Chen Tien Tui
Mr. Li Ming Hung

**Independent Non-executive Directors:**
Mr. Lau Chi Kit
Mr. Mak Chi Yan
Mr. Wong Wai Kit, Louis
Mr. Yuen Kin Kei

In accordance with Bye-law 108(A) of the Company's bye-laws (the "Bye-laws"), Mr. Choi Lin Hung, Mr. Ng Tze On and Mr. Li Ming Hung shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM"). All other Directors continue in office.

None of the Directors being proposed for re-election at the forthcoming AGM of the Company 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.

## CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Details of changes in Directors' particulars subsequent to 2013 interim report:

Mr. Lau Chi Kit (an independent non-executive Director) has been appointed as an independent non-executive director of Century Sunshine, a company listed on the Main Board of the Stock Exchange (stock code: 509), with effect from 29 April 2014.

Mr. Lau has also been appointed as a member of each of the audit committee and remuneration committee of Century Sunshine on 29 April 2014.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" in this report and "Related Party Disclosures" in Note 36 to the consolidated financial statements, no contracts of significance, to which the Company, its holding company, or any of its fellow subsidiaries or 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.

## CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has confirmed the continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules and issued an unqualified letter containing their findings and conclusions accordingly.

The independent non-executive Directors have confirmed the continuing connected transactions in accordance with Rule 14A.37 of the Listing Rules. Specifically, the independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms, or on terms no less favorable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

Details of the discloseable continuing connected transactions for the year are set out in Note 36 to the consolidated financial statements which include details of the related party transactions entered into by the Group during the year ended 31 March 2014, which constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. 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.

Save as disclosed above, there were no other transactions which are required to be disclosed as continuing connected transactions in accordance with the requirements of the Listing Rules.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 are independent.

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

As at 31 March 2014, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) 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 taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

| Name of Director | Name of Group member/ associated corporation | Capacity/nature of interests | Number and class of securities (Note 1) | Interest in underlying shares of share options (Note 1) | Approximate percentage of shareholding |
|---|---|---|---|---|---|
| Mr. Choi Lin Hung | The Company | Interest of controlled corporation | 317,552,000 ordinary shares of HK$0.01 each of the Company ("Shares") (L) (Note 2) | – | 70.53% |
| | VC | Beneficial owner | 8,198,000 ordinary shares of HK$0.01 each of VC ("VC Shares") (L) | – | 0.47% |
| | VC | Beneficial owner | – | 12,000,000 VC Shares (L) (Note 7) | 0.69% |
| | Victory City Overseas Limited | Beneficial owner | 700 redeemable non-voting preference shares of US$1.00 each (L) | – | 21.22% |
| | Sure Strategy | Interest of controlled corporation | 49 ordinary shares of US$1.00 each (L) (Note 3) | – | 49.00% |
| Mr. Ng Tze On | The Company | Beneficial owner | – | 5,350,000 Shares (L) (Note 4) | 1.19% |
| Mr. Lau Kwok Wa, Stanley | The Company | Beneficial owner | – | 5,350,000 Shares (L) (Note 4) | 1.19% |
| | Mayer | Beneficial owner | 49 shares of HK$1.00 each (L) | – | 49.00% |

| Name of Director | Name of Group member/ associated corporation | Capacity/nature of interests | Number and class of securities (Note 1) | Interest in underlying shares of share options (Note 1) | Approximate percentage of shareholding |
|---|---|---|---|---|---|
| Mr. Li Ming Hung | The Company | Beneficial owner | 277,360 Shares (L) | – | 0.06% |
| | The Company | Founder of a trust | 3,512,080 Shares (L) (Note 5) | – | 0.78% |
| | VC | Founder of a trust | 393,612,000 VC Shares (L) (Note 5) | – | 22.51% |
| | VC | Beneficial owner | – | 1,200,000 VC Shares (L) (Note 8) | 0.07% |
| | Victory City Company Limited | Beneficial owner | 4,000,000 non-voting deferred shares of HK$1.00 each (L) | – | 50.00% |
| | Victory City Overseas Limited | Beneficial owner | 1,300 redeemable non-voting preference shares of US$1.00 each (L) | – | 39.39% |
| Mr. Chen Tien Tui | The Company | Beneficial owner | 309,000 Shares (L) | – | 0.07% |
| | The Company | Founder of a trust | 3,512,080 Shares (L) (Note 6) | – | 0.78% |
| | VC | Beneficial owner | 2,070,000 VC Shares (L) | – | 0.12% |
| | VC | Founder of a trust | 393,612,000 VC Shares (L) (Note 6) | – | 22.51% |
| | VC | Beneficial owner | – | 1,200,000 VC Shares (L) (Note 8) | 0.07% |
| | Victory City Company Limited | Beneficial owner | 4,000,000 non-voting deferred shares of HK$1.00 each (L) | – | 50.00% |
| | Victory City Overseas Limited | Beneficial owner | 1,300 redeemable non-voting preference shares of US$1.00 each (L) | – | 39.39% |

Notes:

1. The letter "L" denotes the Directors' long position in the Shares or the relevant associated corporation.

2. These Shares consist of 315,200,000 Shares held by Sure Strategy and 2,352,000 Shares held by Merlotte. Sure Strategy was owned as to 51% by Victory City Investments Limited and 49% by Merlotte. Merlotte was wholly-owned by Mr. Choi Lin Hung.

3. These shares were held by Merlotte, which is wholly-owned by Mr. Choi Lin Hung.

4. On 2 June 2010, each of Mr. Ng Tze On and Mr. Lau Kwok Wa, Stanley was granted 5,350,000 options under the Share Option Scheme to subscribe for 5,350,000 Shares. Such options are exercisable at HK$0.60 during a period from 5 October 2012 to 31 May 2020.

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

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

7. On 2 April 2012, Mr. Choi Lin Hung was granted 12,000,000 options under the share option scheme of VC to subscribe for 12,000,000 VC shares, exercisable at a price of HK$0.782 per VC share during a period from 2 April 2012 to 1 April 2017.

8. 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 VC to subscribe for 1,200,000 VC shares, exercisable at price of HK$0.782 per VC share during a period from 2 April 2012 to 1 April 2017.

Save as disclosed above, as at 31 March 2014, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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 executives of the Company) had interests or short positions in the Shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of shareholder | Capacity/nature of interest | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|---|---|---|---|
| Sure Strategy | Beneficial owner | 315,200,000 Shares (L) | 70.00% |
| Victory City Investments Limited | Beneficial owner | 2,448,000 Shares (L) | 0.55% |
| | Interest of controlled corporation | 315,200,000 Shares (L) (Note 2) | 70.00% |
| VC (Note 3) | Interest of controlled corporation | 317,648,000 Shares (L) | 70.55% |
| Merlotte | Beneficial owner | 2,352,000 Shares (L) | 0.53% |
| | Interest of controlled corporation | 315,200,000 Shares (L) (Note 2) | 70.00% |
| Ms. Chan Lai Fan (Note 4) | Interest of spouse | 317,552,000 Shares (L) | 70.53% |
| Mr. Ng Tsze Lun | Beneficial owner | 58,341,000 Shares (L) (Note 5) | 12.96% |
| Ms. Yau Yuk Chun Carole (Note 6) | Interest of spouse | 58,341,000 Shares (L) | 12.96% |

Notes:

1. The letter "L" denotes the individual or corporation's long position in the Shares.
2. These Shares were held by Sure Strategy, which was owned as to 51% by Victory City Investments Limited and 49% by Merlotte.
3. Victory City Investments Limited was wholly-owned by VC.
4. Ms. Chan Lai Fan is the wife of Mr. Choi Lin Hung.
5. There were 58,000,000 share options granted to Mr. Ng Tsze Lun under the Share Option Scheme.
6. Ms. Yau Yuk Chun Carole is the wife of Mr. Ng Tsze Lun.

Save as disclosed above, as at 31 March 2014, there was no other person who was recorded in the register of the Company as having interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all the circumstances at general meetings of members of the Group other than the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 June 2010 which became effective upon the Company's shares were listed on the Stock Exchange on 5 October 2010. The purpose of this Share Option Scheme is to provide incentives and rewards to the eligible participants for their contributions to the Group. Details of the Share Option Scheme are set out in Note 32 to the consolidated financial statements.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" in this report, at no time during the year was the Company, its holding company, nor any of its fellow subsidiaries or 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.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company ("Remuneration Committee") on the basis of their merit, qualifications and competence.

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

The Company has also adopted the Share Option Scheme as an incentive to eligible Directors and eligible employees of the Group. Details of the Share Option Scheme are set out in Note 32 to the consolidated financial statements.

## MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company for the year ended 31 March 2014.

## CONTRACT OF SIGNIFICANCE

Save as disclosed in Note 32 to the consolidated financial statements in respect of the Share Option Scheme and in the section headed "Continuing Connected Transactions" in this report, there is no contract of significance subsisting for the year ended 31 March 2014 in which a Director is or was materially interested, either directly or indirectly. And there is no contract of significance for the provision of services to the Group by its controlling Shareholders subsisted for the year ended 31 March 2014.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, sales to the five largest customers accounted for approximately 49.1% of the total revenue of the Group and sales to the largest customer included therein accounted for approximately 12.5%.

Purchases from the Group's five largest suppliers accounted for approximately 44.4% of the total purchases for the year. One of the Group's five largest suppliers is the VC Group which accounted for approximately 8.4% of the total purchases for the year. VC is the Company's ultimate holding company, the shares of which are listed on the Main Board of the Stock Exchange. The Group's largest supplier for the year is Kimberley. The Group's purchases from Kimberley accounted for approximately 15.3% of the total purchases for the year. Kimberley is wholly-owned by Mr. Lau Kwok Wa, Stanley and his associate ("Associate" as defined in the Listing Rules). Details of the Group's purchases from the VC Group and Kimberley during the financial year are set out in Note 36 to the consolidated financial statements.

Save as disclosed above, none of the Directors or any of their Associates or any Shareholders who own more than five per cent of the issued share capital of the Company had any interest in the Group's five largest customers and suppliers during the year under review.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float pursuant to the Listing Rules.

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in Note 37 to the consolidated financial statements.

## AUDITOR

A resolution will be submitted to the AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

**Choi Lin Hung**
*CHAIRMAN*

Hong Kong
27 June 2014

## Corporate Governance Practices

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions ("Code Provisions") under "Corporate Governance Code" ("CG Code") contained 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, save and except for the deviations from Code Provisions A.2.1 and A.6.7.

### Code Provision A.2.1

Under Code Provision A.2.1, 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 of the Company are not separate and both are performed by Mr. Choi Lin Hung. Since the Directors meet regularly to consider major matters affecting the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Company to make and implement decisions promptly and efficiently.

### Code Provision A.6.7

In respect of Code Provision A.6.7, Mr. Lau Kwok Wa, Stanley and Mr. Ng Tze On, each of them being an executive Director, and Mr. Wong Wai Kit, Louis, being an independent non-executive Director, did not attend the special general meeting of the Company held on 2 April 2013 due to their other business commitments.

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

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2014.

## BOARD OF DIRECTORS

The Board currently comprises nine Directors, including three executive Directors, namely Mr. Choi Lin Hung (chairman and chief executive officer), Mr. Lau Kwok Wa, Stanley and Mr. Ng Tze On; two non-executive Directors, namely Mr. Chen Tien Tui and Mr. Li Ming Hung; and four independent non-executive Directors, namely Mr. Lau Chi Kit, Mr. Mak Chi Yan, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei. The composition of the Board complies with Rules 3.10(1) and (2), and 3.10A of the Listing Rules.

The biographical details of the Directors are set out on pages 11 to 13 of the annual report of the Company for the year ended 31 March 2014. To the best knowledge of the Company and save as disclosed under section headed "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material or relevant relationship(s) among members of the Board.

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 five times during the year and conducted the following activities at such regular meetings:

(a) approved the interim and annual results, interim and annual reports, 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 ended 31 March 2014;

(c) reviewed the continuing connected transactions;

(d) reviewed the performance and financial position of the Group; and

(e) reviewed, among others, the Disposal agreement and circular in relation to the very substantial disposal transaction.

## Corporate Governance Functions

Pursuant to the Board's terms 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 effect 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 annual and interim reports of the Group and ensure 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 control systems, processes and policies, and in particular to monitor the implementation of the Group's plans to maintain a high level of compliance with its own risk management standard;

(e) to monitor if each of the audit committee (the "Audit Committee"), Remuneration Committee and nomination committee (the "Nomination Committee") of the Company (or such other Board committee(s) from 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 CG 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 officer 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 not separate and both are performed by Mr. Choi Lin Hung. Since the Directors meet regularly to consider major matters affecting the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe this structure will enable the Company to make and implement decisions promptly and efficiently.

## Terms of Appointment of Non-executive Directors and Independent Non-executive Directors

Each of non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year. The term of each of non-executive Directors and independent non-executive Directors shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of their then current term of appointment, subject to retirement by rotation and re-election at the AGM pursuant to the Bye-laws unless terminated by not less than three months notice in writing served by either the respective non-executive Director or independent non-executive Director expiring at the end of the initial term or at any time thereafter.

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 four 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 four 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 Remuneration Committee and the Audit Committee (collectively, the “Board Committees”). The Board has delegated some of its functions to the Board Committees, details of which are discuss below.

## Nomination Committee

The Nomination Committee currently comprises one executive Director, namely Mr. Choi Lin Hung (chairman); and two independent non-executive Directors, namely Mr. Lau Chi Kit and Mr. Mak Chi Yan. 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 terms of reference of Nomination Committee can be found on the websites of the Stock Exchange and the Company.

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.

Two meetings of the Nomination Committee were held during the financial year ended 31 March 2014 (with individual member's attendance as set out under the section of "Number of meetings and Directors' attendance") to make recommendations on the re-election of Mr. Chen Tien Tui, Mr. Lau Chi Kit and Mr. Yuen Kin Kei to be proposed for Shareholders' approval in the last AGM held on 20 August 2013 and discussed the board diversity policies.

## 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 skills, gender, regional 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 four independent non-executive Directors, namely Mr. Mak Chi Yan (chairman), Mr. Lau Chi Kit, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei; and one executive Director namely, Mr. Choi Lin Hung. It was established by the Board on 8 September 2010 and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions. The terms of reference of Remuneration Committee can be found on the websites of the Stock Exchange and the Company.

The Remuneration Committee meets annually to review the remuneration policies and packages for Directors and senior management of the Company and then advises 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$nil to HK$1,000,000 | 5 |
| HK$3,000,001 to HK$3,500,000 | 1 |

The details of the members of senior management are set out on page 13 of this annual report of the year ended 31 March 2014.

No Director takes part in any discussions and decisions about his own remuneration. During financial year ended 31 March 2014, the Remuneration Committee has convened one meeting (with individual member's attendance as set out under the section of "Number of meetings and Directors' attendance") to review the salary of the employees of the Company and its subsidiaries and the executive Directors.

## Audit Committee

The Audit Committee currently comprises four independent non-executive Directors, namely Mr. Yuen Kin Kei (chairman), Mr. Lau Chi Kit, Mr. Mak Chi Yan and Mr. Wong Wai Kit, Louis. It was established by the Board on 8 September 2010 and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions. The terms of reference of Audit Committee can be found in the websites of the Stock Exchange and the Company.

The Audit Committee provides an important link between the Board and the Company's 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 and internal audit and of internal controls and risk evaluation.

During the year ended 31 March 2014, the Audit Committee has convened two meetings (with individual member's attendance as set out under the section of "Number of meetings and Directors' attendance") conducted the following activities:

(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 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.

There was no disagreement between the Board's and the Audit Committee's views on the selection and appointment of the 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 meetings ("NCM"), AGM and special general meeting ("SGM") held for the year ended 31 March 2014 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. Choi Lin Hung *(chairman and chief executive officer)* | 5/5 | – | 1/1 | 2/2 | 1/1 | 1/1 |
| Mr. Lau Kwok Wa, Stanley | 5/5 | – | – | – | 1/1 | 0/1 |
| Mr. Ng Tze On | 5/5 | – | – | – | 1/1 | 0/1 |
| **Non-executive Directors** | | | | | | |
| Mr. Chen Tien Tui | 5/5 | – | – | – | 1/1 | 1/1 |
| Mr. Li Ming Hung | 5/5 | – | – | – | 1/1 | 1/1 |
| **Independent Non-executive Directors** | | | | | | |
| Mr. Lau Chi Kit | 5/5 | 2/2 | 1/1 | 2/2 | 1/1 | 1/1 |
| Mr. Mak Chi Yan | 5/5 | 2/2 | 1/1 | 2/2 | 1/1 | 1/1 |
| Mr. Wong Wai Kit, Louis | 5/5 | 2/2 | 1/1 | – | 1/1 | 0/1 |
| Mr. Yuen Kin Kei | 5/5 | 2/2 | 1/1 | – | 1/1 | 1/1 |

## 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 and/or reading materials that was provided by the Company's external legal adviser on the topics related to corporate governance and regulations as follows:

| | Reading materials | Attending training course |
|---|---|---|
| **Executive Directors** | | |
| Mr. Choi Lin Hung *(chairman and chief executive officer)* | | ✓ |
| Mr. Lau Kwok Wa, Stanley | | ✓ |
| Mr. Ng Tze On | ✓ | |
| **Non-executive Directors** | | |
| Mr. Chen Tien Tui | | ✓ |
| Mr. Li Ming Hung | | ✓ |
| **Independent Non-executive Directors** | | |
| Mr. Lau Chi Kit | | ✓ |
| Mr. Mak Chi Yan | | ✓ |
| Mr. Wong Wai Kit, Louis | ✓ | |
| Mr. Yuen Kin Kei | ✓ | |

## AUDITOR'S REMUNERATION

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

Audit services of approximately HK$1,244,000 for the Group; Non-audit services of approximately HK$248,000 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.

1.2 Bye-law 65 provides that "The Directors may, whenever they think 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 secretary of the Company (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, 2 Church Street, Hamilton HM 11, Bermuda and copied to the head office and principal place of business of the Company at 19/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong and marked for the attention of the Board or 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 1.2 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 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' RIGHTS (CONTINUED)

### Procedures for raising enquiries (Continued)

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

Address: 19/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong

Email: enquiry@fordglory.com.hk

Tel: (852) 2484 6688

Fax: (852) 2480 3232

Attention: The Board/Company Secretary

Shareholders are encouraged to make enquiries via the online enquiry form available on the Company's website at www.fordglory.com.hk.

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 below paragraph 2, pursuant to in Sections 79 and 80 of the Companies Act, Resolution Requisitionists (as defined in paragraph 2) 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 annual general meeting of the Company (the "Forthcoming 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 and copied to the head office and principal place of business of the Company at their respective address specified in above headed "convening a special general meeting on requisition":

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

   (a) 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.

Deloitte.
德勤

**TO THE MEMBERS OF FORD GLORY GROUP HOLDINGS LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Ford Glory Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 100, 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<br>HK$'000 | 2013<br>HK$'000<br>(restated) |
|---|---|---|---|
| Revenue | 7 | **937,075** | 1,071,162 |
| Cost of sales | | **(770,226)** | (899,018) |
| Gross profit | | **166,849** | 172,144 |
| Other income | | **2,545** | 1,832 |
| Other gains and losses | 9 | **4,902** | 4,046 |
| Selling and distribution costs | | **(40,584)** | (33,586) |
| Administrative expenses | | **(114,517)** | (123,290) |
| Interest on bank borrowings | | **(2,759)** | (3,370) |
| Profit before tax | | **16,436** | 17,776 |
| Income tax expense | 10 | **(4,858)** | (10,507) |
| Profit for the year | 11 | **11,578** | 7,269 |
| Other comprehensive income | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Remeasurement of defined benefit obligations | | **512** | (845) |
| *Item that may be subsequently reclassified to profit or loss:* | | | |
| Exchange difference arising on translation | | **447** | 481 |
| *Reclassification adjustment:* | | | |
| Release of exchange difference on dissolution of a subsidiary | | **546** | – |
| 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: | | | |
| Owners of the Company | | **18,961** | 11,178 |
| Non-controlling interests | | **(7,383)** | (3,909) |
| | | **11,578** | 7,269 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **20,464** | 10,799 |
| Non-controlling interests | | **(7,381)** | (3,894) |
| | | **13,083** | 6,905 |
| Earnings per share | 13 | | |
| Basic | | **HK4.3 cents** | HK2.6 cents |
| Diluted | | **HK3.9 cents** | HK2.5 cents |

# Consolidated Statement of Financial Position

At 31 March 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 (restated) | 2012 HK$'000 (restated) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 14 | **150,540** | 156,719 | 136,305 |
| Prepaid lease payments | 15 | **3,492** | 3,569 | 3,645 |
| Goodwill | 16 | **5,970** | 5,970 | 5,970 |
| Intangible asset | 17 | **1,000** | 1,000 | 1,000 |
| Interest in a joint venture | 18 | **–** | – | – |
| Deferred tax assets | 30 | **2,329** | 1,835 | 1,899 |
| | | **163,331** | 169,093 | 148,819 |
| **Current assets** | | | | |
| Inventories | 19 | **180,593** | 132,565 | 132,335 |
| Trade and bills receivables | 20 | **116,800** | 130,900 | 110,780 |
| Deposits, prepayments and other receivables | 22 | **81,794** | 55,340 | 71,998 |
| Prepaid lease payments | 15 | **99** | 99 | 99 |
| Derivative financial instruments | 28 | **3,705** | 1,640 | 1,225 |
| Tax recoverable | | **183** | 466 | 3,659 |
| Bank balances and cash | 24 | **46,298** | 142,491 | 104,230 |
| | | **429,472** | 463,501 | 424,326 |
| **Current liabilities** | | | | |
| Trade and bills payables | 25 | **48,477** | 69,295 | 71,402 |
| Other payables and accruals | 26 | **31,229** | 23,257 | 35,829 |
| Amounts due to related companies | 23 | **4,144** | 2,063 | 15,319 |
| Derivative financial instruments | 28 | **306** | 132 | 1,957 |
| Tax payable | | **15,381** | 16,360 | 8,479 |
| Bank borrowings | 27 | **111,206** | 157,178 | 96,613 |
| | | **210,743** | 268,285 | 229,599 |
| **Net current assets** | | **218,729** | 195,216 | 194,727 |
| **Total assets less current liabilities** | | **382,060** | 364,309 | 343,546 |

# Consolidated Statement of Financial Position

At 31 March 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 (restated) | 2012 HK$'000 (restated) |
|---|---|---|---|---|
| **Capital and reserves** | | | | |
| Share capital | 29 | **4,502** | 4,381 | 4,380 |
| Reserves | | **375,476** | 350,232 | 327,302 |
| Equity attributable to owners of the Company | | **379,978** | 354,613 | 331,682 |
| Non-controlling interests | | **(1,718)** | 5,663 | 9,557 |
| **Total equity** | | **378,260** | 360,276 | 341,239 |
| **Non-current liabilities** | | | | |
| Defined benefit obligations | 31 | **1,494** | 1,841 | 721 |
| Deferred tax liabilities | 30 | **2,306** | 2,192 | 1,586 |
| | | **3,800** | 4,033 | 2,307 |
| | | **382,060** | 364,309 | 343,546 |

The financial statements on pages 32 to 100 were approved and authorised for issue by the Board on 27 June 2014 and are signed on its behalf by:

**Choi Lin Hung**
*Director*

**Lau Kwok Wa, Stanley**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 (Note 29) | Share premium HK$'000 | Special reserve HK$'000 (note) | Share option reserve HK$'000 | Foreign currency translation reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 April 2012 (originally stated) | 4,380 | 64,626 | (22,325) | 19,071 | 6,392 | 259,118 | 331,262 | 9,557 | 340,819 |
| Effect of changes in accounting policies (Note 2) | – | – | – | – | – | 420 | 420 | – | 420 |
| At 1 April 2012 (restated) | 4,380 | 64,626 | (22,325) | 19,071 | 6,392 | 259,538 | 331,682 | 9,557 | 341,239 |
| Profit for the year | – | – | – | – | – | 11,178 | 11,178 | (3,909) | 7,269 |
| Other comprehensive income (expense) for the year (restated) | – | – | – | – | 466 | (845) | (379) | 15 | (364) |
| Total comprehensive income for the year (restated) | – | – | – | – | 466 | 10,333 | 10,799 | (3,894) | 6,905 |
| Exercise of share option | 1 | 94 | – | (23) | – | – | 72 | – | 72 |
| Recognition of equity-settled share-based payments | – | – | – | 12,060 | – | – | 12,060 | – | 12,060 |
| Release of equity-settled share-based payments upon cancellation of option | – | – | – | (228) | – | 228 | – | – | – |
| At 31 March 2013 (restated) | 4,381 | 64,720 | (22,325) | 30,880 | 6,858 | 270,099 | 354,613 | 5,663 | 360,276 |
| Profit for the year | – | – | – | – | – | 18,961 | 18,961 | (7,383) | 11,578 |
| Other comprehensive income for the year | – | – | – | – | 991 | 512 | 1,503 | 2 | 1,505 |
| Total comprehensive income for the year | – | – | – | – | 991 | 19,473 | 20,464 | (7,381) | 13,083 |
| Dividend paid (Note 12) | – | – | – | – | – | (4,488) | (4,488) | – | (4,488) |
| Exercise of share option | 121 | 12,340 | – | (4,076) | – | – | 8,385 | – | 8,385 |
| Recognition of equity-settled share-based payments | – | – | – | 1,004 | – | – | 1,004 | – | 1,004 |
| Release of equity-settled share-based payments upon cancellation of option | – | – | – | (76) | – | 76 | – | – | – |
| **At 31 March 2014** | **4,502** | **77,060** | **(22,325)** | **27,732** | **7,849** | **285,160** | **379,978** | **(1,718)** | **378,260** |

note: The special reserve represents the reserve arising from a previous group reorganisation.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2014

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before tax | **16,436** | 17,776 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **20,753** | 18,675 |
| Loss on disposal of property, plant and equipment | **1,009** | 356 |
| Write-down of inventories | **1,834** | 1,600 |
| Gain on fair value changes of derivative financial instruments | **(7,772)** | (3,935) |
| Loss on dissolution of a subsidiary | **546** | – |
| Interest income | **(84)** | (656) |
| Interest on bank borrowings | **2,759** | 3,370 |
| Recognition of equity-settled share-based payments | **1,004** | 12,060 |
| Release of prepaid lease payments | **99** | 99 |
| Provision for the defined benefit obligations | **444** | 441 |
| Operating cash flows before working capital changes | **37,028** | 49,786 |
| Increase in inventories | **(49,862)** | (1,830) |
| Decrease (increase) in trade and bills receivables | **13,875** | (19,898) |
| (Increase) decrease in deposits, prepayments and other receivables | **(26,486)** | 16,424 |
| Decrease in trade payables | **(20,699)** | (2,605) |
| Increase (decrease) in other payables and accruals and defined benefit obligations | **7,989** | (9,191) |
| (Decrease) increase in bank borrowing from discounted bills and debts factored with recourse | **(112)** | 415 |
| Increase (decrease) in amounts due to related companies-trade | **2,081** | (13,256) |
| Proceeds from and settlement of derivative financial instruments | **5,881** | 1,695 |
| Cash (used in) generated from operations | **(30,305)** | 21,540 |
| Interest paid on bank borrowings | **(2,759)** | (2,990) |
| Profits Tax (paid) refunded | **(6,004)** | 1,181 |
| **NET CASH (USED IN) FROM OPERATING ACTIVITIES** | **(39,068)** | 19,731 |
| **INVESTING ACTIVITIES** | | |
| Proceeds from disposal of property, plant and equipment | **973** | 7,651 |
| Interest received | **84** | 656 |
| Purchase of property, plant and equipment | **(16,072)** | (46,563) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(15,015)** | (38,256) |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2014

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| Acquisition of subsidiaries | **–** | (3,500) |
| Dividend paid to shareholders | **(4,488)** | – |
| Proceed from exercise of share options | **8,385** | 72 |
| Repayment of mortgage loans | **(1,339)** | (1,297) |
| Net export loans, import loans and trust receipt loans (repaid) raised | **(44,521)** | 78,840 |
| Repayment of bank borrowings | **–** | (17,393) |
| **NET CASH (USED IN) FROM FINANCING ACTIVITIES** | **(41,963)** | 56,722 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(96,046)** | 38,197 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | **142,491** | 104,230 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **(147)** | 64 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR,** representing bank balances and cash | **46,298** | 142,491 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on the Stock Exchange. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at 19/F., Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the trading and manufacturing of garment products and provision of quality inspection services.

The Company's ultimate holding company is VC, a company incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Stock Exchange. The Company's immediate holding company is Sure Strategy, a company incorporated in the British Virgin Islands ("BVI") as an exempted company with limited liability.

The functional currency of the Company is US$. The consolidated financial statements are presented in HK$ because the Company's shares are listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

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

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

| | |
|---|---|
| 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 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 Interest in Other Entities: Transition Guidance |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

Except as described below, the application of the other 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.

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

### 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.

The impact of the application of these standards is set out below.

#### *Impact of the application of HKFRS 10*

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS10 to explain when an investor has control over an investee.

The Directors made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 April 2013) as to whether or not the Group has control over its group companies in accordance with the new definition of control and the related guidance set out in HKFRS 10. The Directors concluded that the Company has had control over its subsidiaries since the Company has ability to use its power over the subsidiaries, rights to variable returns from its involvement with the subsidiaries and to affect the return of the subsidiaries. The Directors also concluded that no additional investee ought to be consolidated under HKFRS 10. Accordingly, the application of HKFRS 10 has had no impact to the Group.

#### *Impact of the application of HKFRS 11*

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC)-Int13 "Joint venture Entities – Non-Monetary Contributions by Ventures", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a joint venture).

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

### New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

#### *Impact of the application of HKFRS 11 (continued)*

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The Directors reviewed and assessed the classification of the joint venture and concluded that the application of this new standard had no material impact on the Group's financial position.

#### *Impact of the application of HKFRS 12*

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

### 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, and replaces those requirements previously included in various HKFRSs.

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, subject to a few exceptions.

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 from 1 January 2013. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Disclosures of fair value information are set out in Notes 6 and 28.

Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in these consolidated financial statements.

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

### Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive 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 existing 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.

### HKAS 19 *Employee Benefits* (as revised in 2011)

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets.

Under the previous accounting policy, cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each financial year end date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the pervious reporting period are amortised over the expected average remaining working lives of the participating employees.

The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures, which are set out in Note 31. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis. The impacts on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2013 and the consolidated statement of financial position as at 31 March 2013 and 1 April 2012 are described below.

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

### *Summary of the effect of changes in accounting policy in relation to HKAS 19*

The effect of the change in accounting policy in relation to HKAS 19 (as revised in 2011) described above on the results for the current and prior years by line items are as follows:

***Impact on liabilities and equity as at 31 March 2013 of the application of HKAS 19 (as revised in 2011)***

| | 31 March 2013 (originally stated) HK$'000 | Adjustment HK$'000 | 31 March 2013 (restated) HK$'000 |
|---|---|---|---|
| Defined benefit obligations | 1,416 | 425 | 1,841 |
| Retained profits | 270,524 | (425) | 270,099 |

***Impact on liabilities and equity as at 1 April 2012 of the application of HKAS 19 (as revised in 2011)***

| | 1 April 2012 (originally stated) HK$'000 | Adjustment HK$'000 | 1 April 2012 (restated) HK$'000 |
|---|---|---|---|
| Defined benefit obligations | 1,141 | (420) | 721 |
| Retained profits | 259,118 | 420 | 259,538 |

***Impact on total comprehensive income (expense) for the year of the application of HKAS 19 (as revised in 2011)***

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Impact on other comprehensive income (expense) for the year | | |
| Decrease (increase) in remeasurement of defined benefit obligations | **512** | (845) |
| Increase in total comprehensive income (expense) for the year attributable for: | | |
| Owners of the Company | **512** | (845) |

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

### New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are 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[6] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[6] |
| 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 first annual HKFRS financial statements beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 January 2016.

The Directors anticipate that the application of new and revised HKFRSs issued but not yet effective will not have material impact on the Group's 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 certain financial instruments that 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 exchanges for goods or services.

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 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 where 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.

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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.

Non-controlling interests in subsidiaries are presented separately from the Group entity herein.

### Changes in the Group’s ownership interests in existing subsidiaries

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Cash-generating Units ("CGUs") (or group of CGUs), that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment annually or more frequently when 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 on a pro rata basis based on the carrying amount of each asset. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill or the amount of goodwill allocated to the unit is included in the determination of the amount of gain or loss on disposal.

### Investments 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 venture are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, 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 a joint venture exceeds its 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 that joint venture.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

### Intangible asset

#### Intangible asset acquired separately

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

Service income is 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 and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and any accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing

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

#### The Group as lessee

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

#### The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

### Leasehold land and buildings

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 leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of Group's entities are translated into the presentation currency of the Group (i.e. HK$) using the exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency 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 or an associate 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.

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

### Borrowing costs

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

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

### Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefit costs (continued)

The Group presents the first two components of defined benefit costs in profit or loss as employee benefit expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

### 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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, 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 interests 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined by the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and costs necessary to make the sale.

### Financial instruments

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

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

### Financial assets

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

#### Effective interest method

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

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

#### Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of 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.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

### Financial assets (continued)

Loans and receivables

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

Impairment of financial assets

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

For all other 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.

financial asset such as trade receivables that are assessed not to be impaired individually are, in addition, 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, an increase in the number of delayed payments in the portfolio past the respective credit periods, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of 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.

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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- 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.

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

Other financial liabilities

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

#### Derivative financial instruments

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the 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 financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Share-based payment arrangements

#### Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date and is expensed 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, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised as 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. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value. At 31 March 2014, the carrying amount of trade and bills receivables was approximately HK$116,800,000 (2013: HK$130,900,000) (net of allowance for doubtful debts of approximately HK$878,000 (2013: HK$878,000).

### Write-down of inventories

Management reviews the inventories at the end of each reporting period, and write-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 approximately HK$180,593,000 (2013: HK$132,565,000).

### Income taxes

As at 31 March 2014, deferred tax asset in relation to unused tax losses of approximately HK$45,687,000 (2013: HK$22,322,000) was 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 profit or loss for the period in which such change 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 28.

## 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 entities in the unchanged from prior year.

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

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

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **165,511** | 275,297 |
| Derivative financial instruments | **3,705** | 1,640 |
| **Financial liabilities** | | |
| Amortised cost | **163,827** | 228,536 |
| Derivative financial instruments | **306** | 132 |

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

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

## 6. FINANCIAL INSTRUMENTS (continued)

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

#### Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales, purchases and bank balances and cash, which expose the Group to risk due to changes in foreign exchange rates. The Group entered into structured currency forward contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB against US$, which is the functional currency of the relevant group entities.

At the end of the reporting period, the Group is exposed to foreign currency risk arising from the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2014 HK$'000** | 2013 HK$'000 | **2014 HK$'000** | 2013 HK$'000 |
| HK$ | **27,023** | 23,981 | **5,829** | 10,025 |
| RMB | **20** | – | **1,558** | 1,392 |
| Jordanian Dinar ("JOD") | **468** | 2,197 | **7,501** | 3,858 |
| Indonesian Rupiah ("IDR") | **–** | – | **2,359** | 1,880 |

The Group is also exposed to foreign currency risk arising from intercompany balances denominated in currencies other than the functional currencies of the relevant group entities. The sensitivity analysis of the balances is disclosed below.

## 6. FINANCIAL INSTRUMENTS (continued)

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

#### Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to foreign currency risk of HK$, RMB, JOD and IDR (2013: HK$, RMB, JOD and IDR).

The following table details the Group's sensitivity to increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies by 5%, and vice versa. A positive number below indicates an increase in Group's profit where functional currency strengthens by 5% against foreign currencies. If functional currency weakens by 5% against foreign currencies, there would be an equal and opposite impact on the profit or loss of the Group. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. The sensitivity analysis includes intercompany balances where the denomination of the amount is in a currency other than the functional currency of the relevant group entities. On this basis, there will be an increase/decrease in post-tax profit as follow, where the functional currency of the relevant group entities weaken against the foreign currencies by 5%, and vice versa.

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit or loss | **2,570** | 4,272 |

As set out in Note 28, at the end of the reporting period, the Group had outstanding structured foreign currency forward contracts which also expose the Group to currency fluctuation risks.

For the structured currency forward contracts outstanding at 31 March 2014, if US$ was strengthened against RMB by 5%, the profit for the year ended 31 March 2014 would decrease by approximately HK$32,276,000 (2013: HK$28,464,000); if US$ was weakened against RMB by 5%, the profit for the year ended 31 March 2014 would increase by approximately HK$1,867,000 (2013: HK$2,438,000).

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

## 6. FINANCIAL INSTRUMENTS (continued)

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

#### Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on its bank balances and floating rate bank borrowings. Most of the Group's bank borrowings carry interest based on HIBOR or LIBOR plus a spread. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of the Directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the impact to the Group's results for both years is not significant.

The sensitivity analyses below have been determined based on the exposure to floating rate of bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of bank borrowings outstanding at the end of the reporting period date was outstanding for the whole year. A 25 basis point (2013: 25) 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 25 basis points (2013: 25) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2014 would decrease/increase by approximately HK$232,000 (2013: HK$328,000)

#### 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.

In order to minimise 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 consider that the Group's credit risk is significantly reduced.

At 31 March 2014, the Group had a concentration of credit risk as the top 5 trade debtors accounted for approximately 41% of its total trade debt balance (2013: 41%). In view of this, senior management members regularly visit these customers to understand their business operations and cash flows position. In this regard, management considers that this credit concentration risk has been significantly mitigated.

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

## 6. FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings 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 table has been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

| | Weighted average effective interest rate % | On demand or less than 1 month HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | 1 to 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31 March 2014 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| **Non-derivative** | | | | | | | |
| Trade and bills payables | – | 25,290 | 23,187 | – | – | 48,477 | 48,477 |
| Amounts due to related companies | – | 4,144 | – | – | – | 4,144 | 4,144 |
| Bank borrowings | 2.45 | 111,206 | – | – | – | 111,206 | 111,206 |
| | | 140,640 | 23,187 | – | – | 163,827 | 163,827 |
| **Derivative-net settlement** | | | | | | | |
| – structured currency forward contracts | – | (85) | (166) | (125) | 682 | 306 | 306 |

## 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$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | 1 to 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31 March 2013 HK$'000 |
|---|---|---|---|---|---|---|---|
| 2013 | | | | | | | |
| **Non-derivative** | | | | | | | |
| Trade and bills payables | – | 38,938 | 25,602 | 4,755 | – | 69,295 | 69,295 |
| Amounts due to related companies | – | 2,063 | – | – | – | 2,063 | 2,063 |
| Bank borrowings | 2.27 | 157,178 | – | – | – | 157,178 | 157,178 |
| | | 198,179 | 25,602 | 4,755 | – | 228,536 | 228,536 |
| **Derivative-net settlement** | | | | | | | |
| – structured currency forward contracts | – | (262) | (534) | (1,151) | 407 | (1,540) | (1,508) |

Bank borrowings with a repayment 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 carrying amounts of these bank borrowings amounted to approximately HK$111,206,000 and HK$157,178,000 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. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

## 6. FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk (continued)

The following table discloses 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$'000 | 1 to 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | |
| Bank borrowings | **2.45** | **36,249** | **57,763** | **3,756** | **6,477** | **9,429** | **113,674** | **111,206** |
| 2013 | | | | | | | | |
| Bank borrowings | 2.27 | 65,997 | 70,788 | 5,696 | 6,307 | 12,171 | 160,959 | 157,178 |

The amounts included above for variable interest rate instruments are subject to change of interest rates differ to those determined at the end of the reporting dates.

### (c) Fair value

**The note provides information about how the Group determines fair value of derivative financial instruments. Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

The Group's derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/ financial liabilities | Fair value as at 31 March 2014 | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|
| Structured foreign currency contracts classified as derivative financial instruments | Assets-HK$3,705,000 Liabilities-HK$306,000 *(Both not designated for hedging)* | Level 3 | Monte Carlo Simulation Method. The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date. |

note: These valuation techniques use only observable inputs or unobservable inputs that are not significant to the overall valuation. Therefore, relationship of unobservable inputs to fair value is not disclosed. Sensitivity of the fair value measurement to changes in unobservable inputs in the valuation models is not presented as changes in the unobservable inputs lead to asymmetric changes in the fair values.

## 6. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value (continued)

| | **2014** | | | |
|---|---|---|---|---|
| | **Level 1 HK$'000** | **Level 2 HK$'000** | **Level 3 HK$'000** | **Total HK$'000** |
| **Financial assets at FVTPL** | | | | |
| Derivative financial instruments | **–** | **–** | **3,705** | **3,705** |
| **Financial liabilities at FVTPL** | | | | |
| Derivative financial instruments | **–** | **–** | **306** | **306** |

| | 2013 | | | |
|---|---|---|---|---|
| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
| **Financial assets at FVTPL** | | | | |
| Derivative financial instruments | – | – | 1,640 | 1,640 |
| **Financial liabilities at FVTPL** | | | | |
| Derivative financial instruments | – | – | 132 | 132 |

There were no transfers between Level 2 and 3 in current and prior years.

### Reconciliation of Level 3 fair value measurement of financial assets and financial liabilities

| | **Structured currency forward contracts** HK$'000 |
|---|---|
| At 1 April 2012 | (478) |
| Net settlement | (1,949) |
| Fair value gain credited to profit or loss | |
| – realised | 2,427 |
| – unrealised | 1,508 |
| At 31 March 2013 | 1,508 |
| Premium received on contract rate | (428) |
| Net settlement | (5,453) |
| Fair value gain credited to profit or loss | |
| – realised | 4,373 |
| – unrealised | 3,399 |
| **At 31 March 2014** | **3,399** |

The total gain of approximately HK$3,399,000 for the year included in profit or loss represent the total fair value gain related to structured currency forward contracts held at the end of the reporting period (2013: HK$1,508,000) that are included in "Other gains and losses".

## 7. REVENUE

The Group's revenue represents the amounts received and receivables for trading and manufacturing of garment products and provision of quality inspection service, less sales related taxes, returns and allowances. It is analysed as follows:

| | **2014** HK$'000 | 2013 HK$'000 |
|---|---|---|
| Production and sale of garment products | **936,916** | 1,066,826 |
| Provision of quality inspection services | **159** | 4,336 |
| | **937,075** | 1,071,162 |

## 8. SEGMENT INFORMATION

At the end of the reporting period, the Group's operating segments based on the information reported to the chief operating decision makers (i.e. executive Directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

Segment A – This segment includes certain subsidiaries of the Group which mainly trade garment products to the USA, Canada, Europe, the PRC, Hong Kong and other locations and provide quality inspection services.

Segment B – This segment includes the other subsidiaries of the Group which mainly manufacture garment products in the PRC, Cambodia, Indonesia and Jordan.

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

**Year ended 31 March 2014**

| | **Segment A** HK$'000 | **Segment B** HK$'000 | **Segment total** HK$'000 | **Eliminations** HK$'000 | **Consolidated total** HK$'000 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| External sales | **890,011** | **47,064** | **937,075** | **–** | **937,075** |
| Inter-segment sales | **128,786** | **436,580** | **565,366** | **(565,366)** | **–** |
| Total | **1,018,797** | **483,644** | **1,502,441** | **(565,366)** | **937,075** |
| **RESULTS** | | | | | |
| Segment results | **(3,341)** | **19,244** | **15,903** | | **15,903** |
| Unallocated income | | | | | **8,348** |
| Unallocated expenses | | | | | **(5,056)** |
| Interest expense | | | | | **(2,759)** |
| Profit before tax | | | | | **16,436** |

## 8. SEGMENT INFORMATION (continued)

Year ended 31 March 2013

| | Segment A HK$'000 | Segment B HK$'000 | Segment total HK$'000 | Eliminations HK$'000 | Consolidated total HK$'000 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| External sales | 930,314 | 140,848 | 1,071,162 | – | 1,071,162 |
| Inter-segment sales | – | 398,845 | 398,845 | (398,845) | – |
| Total | 930,314 | 539,693 | 1,470,007 | (398,845) | 1,071,162 |
| **RESULTS** | | | | | |
| Segment results | 7,077 | 24,301 | 31,378 | | 31,378 |
| Unallocated income | | | | | 5,081 |
| Unallocated expenses | | | | | (15,313) |
| Interest expense | | | | | (3,370) |
| Profit before tax | | | | | 17,776 |

Segment profit represents the profit earned by each segment without allocation of net loss on disposal of property, plant and equipment, share-based payment expenses, rental income, interest income, net gain on fair value changes of derivative financial instruments, loss on dissolution of a subsidiary, 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 rates.

## 8. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

**At 31 March 2014**

| | Segment A HK$'000 | Segment B HK$'000 | Consolidated total HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Segment assets | **201,157** | **339,114** | **540,271** |
| Unallocated assets | | | **52,532** |
| Consolidated total assets | | | **592,803** |
| **LIABILITIES** | | | |
| Segment liabilities | **47,399** | **38,252** | **85,651** |
| Unallocated liabilities | | | **128,892** |
| Consolidated total liabilities | | | **214,543** |

At 31 March 2013

| | Segment A HK$'000 | Segment B HK$'000 | Consolidated total HK$'000 (restated) |
|---|---|---|---|
| **ASSETS** | | | |
| Segment assets | 184,038 | 302,088 | 486,126 |
| Unallocated assets | | | 146,468 |
| Consolidated total assets | | | 632,594 |
| **LIABILITIES** | | | |
| Segment liabilities | 45,943 | 49,667 | 95,610 |
| Unallocated liabilities | | | 176,708 |
| Consolidated total liabilities | | | 272,318 |

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

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

## 8. SEGMENT INFORMATION (continued)

### Other segment information

**At 31 March 2014**

| | **Segment A HK$'000** | **Segment B HK$'000** | **Segment total HK$'000** | **Unallocated HK$'000** | **Consolidated total HK$'000** |
|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Addition to non-current assets (note) | **1,360** | **14,712** | **16,072** | **–** | **16,072** |
| Depreciation | **3,873** | **16,880** | **20,753** | **–** | **20,753** |
| Release of prepaid lease payment | **–** | **99** | **99** | **–** | **99** |
| Write-down of inventories | **1,834** | **–** | **1,834** | **–** | **1,834** |

At 31 March 2013

| | Segment A HK$'000 | Segment B HK$'000 | Segment total HK$'000 | Unallocated HK$'000 | Consolidated total HK$'000 |
|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Addition to non-current assets (note) | 7,231 | 39,332 | 46,563 | – | 46,563 |
| Depreciation | 3,704 | 14,971 | 18,675 | – | 18,675 |
| Release of prepaid lease payment | – | 99 | 99 | – | 99 |
| Write-down of inventories | 1,600 | – | 1,600 | – | 1,600 |

note: Amounts include additions to property, plant and equipment.

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

## 8. SEGMENT INFORMATION (continued)

### Geographical information

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

The Group's revenue from external customers by location of customers and information about its non-current assets (excluding 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 | **10,811** | 2,126 | **29,884** | 32,417 |
| PRC | **20,791** | 107,785 | **86,702** | 95,750 |
| USA | **566,200** | 724,224 | **90** | 103 |
| Canada | **106,409** | 85,109 | **–** | – |
| Europe | **105,532** | 88,873 | **–** | – |
| Cambodia | **4,537** | 2,085 | **27,778** | 23,071 |
| Indonesia | **2,124** | 659 | **2,298** | 4,802 |
| Jordan | **24,013** | 30,274 | **14,239** | 10,685 |
| Others | **96,658** | 30,027 | **11** | 430 |
| | **937,075** | 1,071,162 | **161,002** | 167,258 |

### Information about major customers

Revenue from customers contributing to over 10% of the Group's total annual revenue are as follows:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A | **103,359** | 182,010 |
| Customer B | **117,091** | 134,109 |
| Customer C | **99,989** | – |

note: Revenue from the above customers all fall under Segment A.

### Information about products and services

The Group's revenue represents sale of garment products and provision of quality inspection service (see Note 7 for details).

## 9. OTHER GAINS AND LOSSES

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Net gain on fair value changes of derivative financial instruments | **7,772** | 3,935 |
| Net loss on disposal of property, plant and equipment | **(1,009)** | (356) |
| Net foreign exchange (losses) gains | **(1,315)** | 467 |
| Loss on dissolution of a subsidiary | **(546)** | – |
| | **4,902** | 4,046 |

## 10. INCOME TAX EXPENSE

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| The tax charge comprises: | | |
| Current tax: | | |
| Hong Kong Profits Tax | | |
| – current year | **3,101** | 3,988 |
| – (over)underprovision in respect of prior years | **(111)** | 36 |
| | **2,990** | 4,024 |
| Enterprise income tax ("EIT") in the PRC attributable to subsidiaries | | |
| – current year | **1,653** | 5,563 |
| – overprovision in respect of prior years | **(81)** | – |
| | **1,572** | 5,563 |
| Overseas income tax | | |
| – current year | **621** | 258 |
| – underprovision in respect of prior years | **66** | – |
| | **687** | 258 |
| Deferred taxation (Note 30) | **(391)** | 662 |
| | **4,858** | 10,507 |

## 10. INCOME TAX EXPENSE (continued)

### Hong Kong

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

### PRC

The Group's PRC subsidiaries are subject to PRC EIT at the statutory tax rate of 25% for both years.

### Macau

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Macau subsidiary is 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 before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| Profit before tax | **16,436** | 17,776 |
| Tax at the domestic income tax rate of 16.5% | **2,712** | 2,933 |
| Tax effect of expenses that are not deductible for tax purpose | **2,730** | 4,275 |
| Tax effect of income not taxable for tax purpose | **(411)** | (593) |
| Tax effect of utilisation of tax losses previously not recognised | **–** | (238) |
| Tax effect of tax losses not recognised | **3,855** | 2,804 |
| Income tax on tax exemption | **(4,095)** | – |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(57)** | 566 |
| (Over)underprovision in respect of prior years | **(126)** | 36 |
| Deferred tax relating to dividend withholding tax | **250** | 724 |
| Tax charge for the year | **4,858** | 10,507 |

Details of deferred taxation are set out in Note 30.

## 11. PROFIT FOR THE YEAR

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging: | | |
| Directors' remuneration (note (i)) | **4,378** | 4,367 |
| Share-based payment expenses (Note 32) | **1,004** | 12,060 |
| Other staff costs | **144,798** | 155,971 |
| Total staff costs | **150,180** | 172,398 |
| Auditor's remuneration | **1,487** | 1,371 |
| Depreciation of property, plant and equipment | **20,753** | 18,675 |
| Release of prepaid lease payments | **99** | 99 |
| Write-down of inventories (included in cost of sales) | **1,834** | 1,600 |
| Interest on bank borrowings: | | |
| – wholly repayable within five years | **2,325** | 2,887 |
| – not wholly repayable within five years, which contain a repayment on demand clause | **434** | 483 |
| | **2,759** | 3,370 |
| and after crediting: | | |
| Bank interest income (included in other income) | **84** | 656 |

Included in the other staff costs is an aggregate amount of approximately HK$8,457,000 and HK$444,000 (2013: HK$7,792,000 and HK$441,000) in respect of defined contribution pension scheme and defined benefit obligation made by the Group (Note 31).

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.

## 11. PROFIT FOR THE YEAR (continued)

note:

**(i) Information regarding Directors' and employees' emoluments**

**Directors**

The emoluments paid or payable to each of the nine Directors were as follows:

| | Choi Lin Hung HK$'000 (note) | Lau Kwok Wa, Stanley HK$'000 | Ng Tze On HK$'000 | Chen Tien Tui HK$'000 | Li Ming Hung HK$'000 | Lau Chi Kit HK$'000 | Mak Chi Yan HK$'000 | Wong Wai Kit, Louis HK$'000 | Yuen Kin Kei HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | | | |
| Fees | **1,170** | **720** | **228** | **–** | **–** | **180** | **180** | **180** | **180** | **2,838** |
| Salaries and other benefits | **1,170** | **59** | **270** | **–** | **–** | **–** | **–** | **–** | **–** | **1,499** |
| Contribution to retirement benefits scheme | **15** | **15** | **11** | **–** | **–** | **–** | **–** | **–** | **–** | **41** |
| Total emoluments | **2,355** | **794** | **509** | **–** | **–** | **180** | **180** | **180** | **180** | **4,378** |
| 2013 | | | | | | | | | | |
| Fees | 1,170 | 711 | 226 | – | – | 180 | 180 | 180 | 180 | 2,827 |
| Salaries and other benefits | 1,170 | 59 | 270 | – | – | – | – | – | – | 1,499 |
| Contribution to retirement benefits scheme | 15 | 15 | 11 | – | – | – | – | – | – | 41 |
| Total emoluments | 2,355 | 785 | 507 | – | – | 180 | 180 | 180 | 180 | 4,367 |

Note: Choi Lin Hung is the Chief Executive of the Group and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

**Employees**

The five highest paid individuals of the Group for both years included two (2013: two) Directors, details of whose emoluments are set out above. The emoluments of the remaining three (2013: three) individuals of the Group, not being Directors, are as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Salaries and other benefits | **4,134** | 3,809 |
| Contributions to retirement benefits scheme | **45** | 43 |
| Equity-settled share-based payment expense | **903** | 10,833 |
| | **5,082** | 14,685 |

## 11. PROFIT FOR THE YEAR (continued)

note: (continued)

**(i) Information regarding Directors' and employees' emoluments (continued)**

**Employees (continued)**

Their emoluments were within the following bands:

| | **2014** | 2013 |
|---|---|---|
| Not exceeding HK$1,000,000 | **2** | 2 |
| HK$3,000,001 to HK$3,500,000 | **1** | – |
| HK$12,500,001 to HK$13,000,000 | **–** | 1 |

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.

## 12. DISTRIBUTIONS

No final dividend was paid or proposed for the year ended 31 March 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil). An interim dividend of HK1.0 cent per ordinary share amounting to HK$4,488,000 was paid to the shareholders for the year ended 31 March 2014 (2013: Nil).

## 13. EARNINGS PER SHARE

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

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share | **18,961** | 11,178 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **445,058,499** | 438,005,129 |
| Effect of dilutive potential ordinary shares in respect of share options | **41,966,467** | 15,782,715 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **487,024,966** | 453,787,844 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings 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 | 80,917 | 26,865 | 19,105 | 6,814 | 73,536 | 207,237 |
| Exchange realignment | 426 | 94 | 60 | 8 | 212 | 800 |
| Additions | 27,430 | 4,273 | 9,972 | 936 | 3,952 | 46,563 |
| Disposals | (5,566) | (91) | (60) | (764) | (5,253) | (11,734) |
| At 31 March 2013 | 103,207 | 31,141 | 29,077 | 6,994 | 72,447 | 242,866 |
| Exchange realignment | 431 | 95 | 61 | 7 | 189 | 783 |
| Additions | – | 697 | 8,016 | 345 | 7,014 | 16,072 |
| Disposals | – | (133) | (186) | (507) | (5,341) | (6,167) |
| **At 31 March 2014** | **103,638** | **31,800** | **36,968** | **6,839** | **74,309** | **253,554** |
| **DEPRECIATION** | | | | | | |
| At 1 April 2012 | 7,690 | 13,772 | 10,811 | 2,666 | 35,993 | 70,932 |
| Exchange realignment | 36 | 49 | 47 | 6 | 129 | 267 |
| Provided for the year | 3,531 | 3,451 | 2,783 | 1,196 | 7,714 | 18,675 |
| Eliminated on disposals | (167) | (75) | (40) | (608) | (2,837) | (3,727) |
| At 31 March 2013 | 11,090 | 17,197 | 13,601 | 3,260 | 40,999 | 86,147 |
| Exchange realignment | 59 | 61 | 55 | 4 | 120 | 299 |
| Provided for the year | 4,619 | 3,502 | 3,892 | 1,149 | 7,591 | 20,753 |
| Eliminated on disposals | – | (103) | (148) | (387) | (3,547) | (4,185) |
| **At 31 March 2014** | **15,768** | **20,657** | **17,400** | **4,026** | **45,163** | **103,014** |
| **CARRYING VALUE** | | | | | | |
| **At 31 March 2014** | **87,870** | **11,143** | **19,568** | **2,813** | **29,146** | **150,540** |
| At 31 March 2013 | 92,117 | 13,944 | 15,476 | 3,734 | 31,448 | 156,719 |

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

| | |
|---|---|
| Leasehold land and buildings | 4% per annum or over the shorter of the term of the lease |
| Furniture, fixtures and equipment | 15%-25% |
| Leasehold improvements | 5 to 10 years or over the term of the relevant leases, if shorter |
| Motor vehicles | 20% |
| Plant and machinery | $6^{2}/_{3}$%-25% |

The Group's leasehold land and buildings comprise:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Buildings and leasehold land with medium-term lease located in: | | |
| – Hong Kong | **25,688** | 26,702 |
| – PRC | **60,115** | 63,124 |
| – Jordan | **2,067** | 2,291 |
| | **87,870** | 92,117 |

## 15. PREPAID LEASE PAYMENTS

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Prepaid lease payments comprise: | | |
| Leasehold land in PRC: | | |
| Medium-term lease | **3,591** | 3,668 |
| Analysed for reporting purposes as: | | |
| Current asset | **99** | 99 |
| Non-current asset | **3,492** | 3,569 |
| | **3,591** | 3,668 |

## 16. GOODWILL

| | HK$'000 |
|---|---|
| COST | |
| **At 1 April 2012, 31 March 2013 and 31 March 2014** | **5,970** |

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

The recoverable amount of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2013: 10%). The cash flows beyond the 5-year period are extrapolated using zero growth rate (2013: zero growth rate). The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the 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.

## 17. 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 segment A in Note 8. While the trademark has a registered life of 7 years, the directors are of the opinion that it can be renewed at minimal cost upon expiration of its registration and practically has indefinite useful life. Accordingly, no amortisation is provided on the trademark while impairment testing will be performed at least annually.

The trademark has been allocated to a CGU, which is included in the sale of garment products segment (i.e. segment A in Note 8). During the year ended 31 March 2014 and the year ended 31 March 2013, 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% (2013: 10%). The cash flows beyond the 5-year period are extrapolated using zero growth rate (2013: zero growth rate). This growth rate is based on the management 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.

## 18. INTEREST IN A JOINT VENTURE

| | 2014<br>HK$'000 | 2013<br>HK$'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 2013, the Group had interest in the following joint venture:

| Name of joint venture | 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. | Incorporated | 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. The amounts of income, expenses and unrecognised share of the joint venture, both for the year and cumulatively, are insignificant.

## 19. INVENTORIES

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Raw materials | **81,868** | 73,309 |
| Work in progress | **49,936** | 40,206 |
| Finished goods | **48,789** | 19,050 |
| | **180,593** | 132,565 |

## 20. TRADE AND BILLS RECEIVABLES

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Trade and bills receivables | **117,678** | 131,778 |
| Less: allowance for doubtful debts | **(878)** | (878) |
| | **116,800** | 130,900 |

The Group allows its trade customers a credit period of 30 to 150 days.

## 20. TRADE AND BILLS RECEIVABLES (continued)

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

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0-30 days | **52,153** | 63,981 |
| 31-60 days | **24,856** | 34,890 |
| 61-90 days | **13,767** | 10,622 |
| 91-120 days | **19,129** | 17,828 |
| Over 120 days | **6,895** | 3,579 |
| | **116,800** | 130,900 |

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** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| HK$ | **81** | 423 |
| IDR | **188** | – |

Before accepting any new customer, the Group assesses and understands the potential customer's credit quality. Management reviews each customers 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.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately HK$6,895,000 (2013: HK$3,579,000) which were past due at the reporting date but for which the Group has not provided for impairment loss.

### Aging of trade receivables which are past due but not impaired

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 61-90 days | **–** | – |
| Over 120 days | **6,895** | 3,579 |
| | **6,895** | 3,579 |

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 internal assessment, taking into account the repayment history and financial background of the trade customers and has not identified any credit risk on these trade receivables.

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

## 20. TRADE AND BILLS RECEIVABLES (continued)

### Movement in the allowance for doubtful debts

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Balance at beginning of the year | **878** | 878 |
| Exchange difference | **–** | – |
| Balance at end of the year | **878** | 878 |

The impairment losses recognised were related to customers that were in financial difficulties.

## 21. TRANSFER OF FINANCIAL ASSETS

The following were the Group's bills receivables as at 31 March 2014 that were transferred to banks by discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as an unsecured borrowing (see Note 27). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Carry amount of bills receivables | **1,086** | 1,198 |
| Carry amount of assessable liabilities | **(1,086)** | (1,198) |

During the year ended 31 March 2014, the Group discounted bills receivables with recourse in aggregated amounts of HK$32,581,000 (2013: HK$26,260,000) to banks for short term financing. In the opinion of the Directors, the receipts from the bills discounting are in substance from trade customers and are presented as operating cash flow in the consolidated statement of cash flows.

## 22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Deposits paid for purchases of raw materials and garment products | **64,186** | 36,869 |
| Other deposits and prepayments | **14,416** | 12,676 |
| Others | **3,192** | 5,795 |
| | **81,794** | 55,340 |

## 23. AMOUNTS DUE TO RELATED COMPANIES

Details of the balances with related companies are as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Amounts due to fellow subsidiaries | **4,144** | 2,063 |

All the above balances are trade in nature. They are unsecured, interest-free and repayable on demand.

An aged analysis of the amounts due to related companies at the end of each reporting period, presented based on the invoice date is as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| 0-30 days | **4,144** | 2,063 |
| 31-60 days | **–** | – |
| 61-90 days | **–** | – |
| | **4,144** | 2,063 |

The amounts due to related companies that are denominated in a currency other than the functional currency of the relevant group entities are as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| HK$ | **4,144** | 2,061 |

## 24. BANK BALANCES AND CASH

These represent bank balances, cash and short-term bank deposits with original maturity less than three months held by the Group. Bank balances carry interest at market rates ranging from 0.001% to 2.65% (2013: from 0.001% to 2.65%) per annum.

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

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| HK$ | **5,748** | 9,496 |
| RMB | **178** | 201 |
| JOD | **7,501** | 3,858 |
| IDR | **2,171** | 1,880 |

## 25. TRADE AND BILLS PAYABLES

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

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| 0-60 days | **41,087** | 61,471 |
| 61-90 days | **6,314** | 6,108 |
| Over 90 days | **1,076** | 1,716 |
| | **48,477** | 69,295 |

The average credit period for purchase of goods is 30 to 90 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 and bills payables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| HK$ | **7,586** | 4,114 |
| RMB | **20** | – |
| JOD | **468** | 2,197 |

## 26. OTHER PAYABLES AND ACCRUALS

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Accruals for operating expenses | **31,229** | 23,257 |

## 27. BANK BORROWINGS

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Import loans and trust receipts loans | **30,194** | 35,191 |
| Export loans | **64,633** | 104,157 |
| Mortgage loans | **15,293** | 16,632 |
| Advances drawn on bills receivables discounted with recourse | **1,086** | 1,198 |
| | **111,206** | 157,178 |
| Analysed as: | | |
| – secured | **15,293** | 16,632 |
| – unsecured | **95,913** | 140,546 |
| | **111,206** | 157,178 |
| Carrying amount of bank loans that contain a repayable on demand clause and repayable*: | | |
| Within one year | **97,288** | 141,885 |
| In more than one year but not more than two years | **1,412** | 1,375 |
| In more than two years but not more than three years | **1,452** | 1,412 |
| In more than three years but not more than four years | **1,492** | 1,452 |
| In more than four years but not more than five years | **1,533** | 1,492 |
| In more than five years | **8,029** | 9,562 |
| Total (shown under current liabilities) | **111,206** | 157,178 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

All the Group's bank borrowings carry interest rates which fall within the range of HIBOR or LIBOR plus 1.25% to HIBOR plus 2.5% per annum (2013: HIBOR or LIBOR plus 1.25% to HIBOR plus 2.50% per annum). The range of effective interest rates of the Group's bank borrowings are 1.45% to 2.80% per annum (2013: 1.45% to 2.80% per annum).

## 27. 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** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| HK$ | **15,293** | 17,806 |

## 28. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives settled in net (not under hedge accounting):

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Structured currency forward contracts | **3,705** | 1,640 | **306** | 132 |

The Group has entered into certain contracts with financial institutions to hedge against an increase in RMB/US$ exchange rate for certain agreed periods of time. The Group and the respective financial institutions would settle on a net basis with reference to the fluctuation of the RMB/US$ exchange rate against the pre-determined exchange rate on a monthly basis over the contract periods. Certain of these contracts include knock-out provision whereby the contracts will automatically be terminated in certain scenarios.

The fair values of the structured currency forward contracts were determined by using the Monte Carlo Simulation Method.

## 29. 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** | **900,000,000** | **9,000** |
| Issued and fully paid: | | |
| As at 1 April 2012 | 438,000,000 | 4,380 |
| Exercise of share options | 120,000 | 1 |
| As at 31 March 2013 | 438,120,000 | 4,381 |
| Exercise of share options | 12,142,000 | 121 |
| **As at 31 March 2014** | **450,262,000** | **4,502** |

The new shares rank pari passu with the then existing shares in all respects.

## 30. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purpose:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Deferred tax assets | **2,329** | 1,835 |
| Deferred tax liabilities | **(2,306)** | (2,192) |
| | **23** | (357) |

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

| | **Accelerated tax and accounting depreciation** | **Dividend withholding tax** | **Others** | **Total** |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2012 | 755 | (1,115) | 673 | 313 |
| Credit (charge) to profit or loss | 331 | (724) | (269) | (662) |
| Exchange difference | – | (8) | – | (8) |
| At 31 March 2013 | 1,086 | (1,847) | 404 | (357) |
| Credit (charge) to profit or loss | 335 | (250) | 306 | 391 |
| Exchange difference | – | (11) | – | (11) |
| **At 31 March 2014** | **1,421** | **(2,108)** | **710** | **23** |

At the end of the reporting period, the Group had unused tax losses of approximately HK$45,687,000 (2013: HK$22,322,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such losses due to the unpredictability of future profit streams (2013: Nil). The remaining unused tax losses may be carried forward indefinitely.

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 fully provided for in respect of the undistributed profits from these PRC subsidiaries in the consolidated financial statements.

## 31. RETIREMENT BENEFIT PLANS

### (i) Defined contribution plan

The Group has operated a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK$25,000 for each eligible employee) as calculated under the MPF legislation.

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

As at 31 March 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 certain percentage of the salaries of the relevant subsidiaries' employees, are charged to the statement of profit or loss and other comprehensive income in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

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

### (ii) Defined benefit plan

The Company's subsidiary incorporated in Indonesia has a defined benefit pension plan (the "Plan") for qualifying employees who were recruited by the subsidiary. The defined benefit pension plan requires contributions to be made to separately administered funds.

## 31. RETIREMENT BENEFIT PLANS (continued)

### (ii) Defined benefit plan (continued)

Under the Plan, the employees are entitled to retirement benefits varying between nil and 100 per cent of final salary on attainment of a retirement age of 55. No other post-retirement benefits are provided to these employees.

The Plan in Indonesia exposes the Group to actuarial risks such as interest rate risk and salary risk.

| | |
|---|---|
| Interest risk | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the Plan's debt investments. |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability. |

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2014 by Padma Radya Aktuaria, Fellow of the Society of Actuaries of Indonesia. The present value of the defined benefit obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | **2014** | 2013 |
|---|---|---|
| Discount rate | **8.00%** | 5.50% |
| Expected rate of salary increase | **8.00%** | 8.00% |
| Mortality rate (note) | **Indonesia Mortality Table 2011 ("TMI3")** | Indonesia Mortality Table 2011 ("TMI3") |
| Morbidity rate | **5% TMI3** | 5% TMI3 |
| Early resignation rate | **15% up to age 30, reducing to 0% at age 55** | 15% up to age 30, reducing to 0% at age 55 |

note: TMI3 is issued by the Insurance Council by Indonesia.

## 31. RETIREMENT BENEFIT PLANS (continued)

### (ii) Defined benefit plan (continued)

Amounts recognised in comprehensive income in respect of this defined benefit pension plan are as follows:

| | **2014**<br>**HK$'000** | 2013<br>HK$'000<br>(restated) |
|---|---|---|
| Current service cost | **358** | 362 |
| Net interest expense | **86** | 79 |
| Components of defined benefit costs recognised in profit or loss | **444** | 441 |
| Remeasurement on the net defined benefit liability: | | |
| Actuarial gains and losses arising from changes in demographic assumptions | **–** | – |
| Actuarial gains and losses arising from changes in financial assumptions | **(701)** | 849 |
| Actuarial gains and losses arising from experience adjustments | **189** | (4) |
| Components of defined benefit (gain) costs recognised in other comprehensive income | **(512)** | 845 |
| Total | **(68)** | 1,286 |

The expense for the year is included in the employee benefit expenses in the profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit pension plans is as follows:

| | **At 31 Mar 2014**<br>**HK$'000** | At 31 Mar 2013<br>HK$'000<br>(restated) | At 1 Apr 2012<br>HK$'000<br>(restated) |
|---|---|---|---|
| Present value of defined benefit obligations | **1,494** | 1,841 | 721 |

## 31. RETIREMENT BENEFIT PLANS (continued)

### (ii) Defined benefit plan (continued)

Movements in the present value of the defined benefit obligations in the current year were as follows:

| | **2014** **HK$'000** | 2013 HK$'000 (restated) |
|---|---|---|
| Defined benefit obligations at beginning of the year | **1,841** | 721 |
| Current service cost | **358** | 362 |
| Interest cost | **86** | 79 |
| Actuarial (gains) and losses arising from changes in financial assumptions | **(701)** | 849 |
| Actuarial (gains) and losses arising from experience adjustments | **189** | (4) |
| Exchange difference | **(279)** | (110) |
| Benefits paid | **–** | (56) |
| Defined benefit obligations at end of the year | **1,494** | 1,841 |

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by HK$197,000 (increase by HK$240,000).

- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by HK$245,000 (decrease by HK$204,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

## 32. SHARE-BASED PAYMENT TRANSACTIONS

### Share Option Scheme of the Company

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

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

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

## 32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

| | | | | | Number of share options | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Grant date | Vesting period | Exercise price HK$ | Exercisable period | Outstanding at 1.4.2012 | Granted during the year | Cancelled during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.3.2013 | Granted during the year | Cancelled during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.3.2014 |
| **Directors** | | | | | | | | | | | | | | | |
| Mr. Lau Kwok Wa, Stanley | 2.6.2010 | 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 | 2.6.2010 | 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) | 2.6.2010 | 5.10.2010-4.10.2012 | 0.6 | 5.10.2012-31.5.2020 | 21,000,000 | - | - | - | - | 21,000,000 | - | - | - | - | **21,000,000** |
| | 27.4.2011 | 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) | 2.6.2010 | 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** |
| | 27.4.2011 | 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, which exceeded the individual limit as set out in note to Rule 17.03(4) of the Listing Rules, was approved by Shareholders in a special general meeting of the Company held on 27 April 2011.

(ii) Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group 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.

(iv) On 27 April 2011, the Company granted 42,920,000 new share options to the Group's employees at an exercise price of HK$0.844 per share. The average closing price of the Company'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 the Company's Shares immediately before the date of grant was HK$1.10 and 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 Group recognised a share-based payment expense of approximately HK$1,004,000 for the year ended 31 March 2014 with reference to the vesting period (2013: HK$12,060,000).

## 33. PLEDGE OF ASSETS

The Group has pledged property, plant and equipment with carrying amount of approximately HK$25,687,000 (2013: HK$26,702,000) to secure credit facilities granted to the Group.

## 34. OPERATING LEASE COMMITMENTS

### The Group as lessee

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Minimum lease payments paid by the Group under operating leases during the year | **11,050** | 9,118 |

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** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **10,094** | 10,763 |
| In the second to fifth year inclusive | **25,283** | 12,780 |
| | **35,377** | 23,543 |

Leases are negotiated for terms ranging from one to five years and rental is fixed throughout the lease period.

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

The following is a condensed statement of financial position of the Company as at 31 March 2014 and 31 March 2013:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **ASSETS** | | |
| Investment in a subsidiary, unlisted | **89,405** | 89,405 |
| Amounts due from a subsidiary | **104,577** | 88,119 |
| Others | **368** | 572 |
| | **194,350** | 178,096 |
| **LIABILITIES** | | |
| Tax payable | **159** | 59 |
| Other payables | **–** | 847 |
| | **159** | 906 |
| | **194,191** | 177,190 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **4,502** | 4,381 |
| Reserves (note (a)) | **189,689** | 172,809 |
| | **194,191** | 177,190 |

## 35. CONDENSED STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

notes:

(a) Reserves

| | Share premium and other reserves (note (b)) HK$'000 | Accumulated profits (loss) HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 31 March 2012 | 168,102 | 2,856 | 170,958 |
| Loss for the year | – | (10,281) | (10,281) |
| Exercise of share option | 72 | – | 72 |
| Recognition of equity-settled share-based payments | 12,060 | – | 12,060 |
| Release of equity-settled share-based payments upon cancellation of option | (228) | 228 | – |
| At 31 March 2013 | 180,006 | (7,197) | 172,809 |
| Profit for the year | – | 12,100 | 12,100 |
| Dividend paid in cash | – | (4,488) | (4,488) |
| Exercise of share option | 8,264 | – | 8,264 |
| Recognition of equity-settled share-based payments | 1,004 | – | 1,004 |
| Release of equity-settled share-based payments upon cancellation of option | (76) | 76 | – |
| **At 31 March 2014** | **189,198** | **491** | **189,689** |

(b) Other reserves consist of share option reserve and contributed surplus of the Company.

## 36. RELATED PARTY DISCLOSURES

### (i) Transactions

The Group had the following transactions with related parties:

| | notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **VC Group** | | | |
| Purchase of fabric | (a) | **49,115** | 79,889 |
| Purchase of yarn | (a) | **5,071** | 753 |
| Utility expenses paid | | **3,678** | 3,713 |
| Rental income received | | **492** | 489 |
| **Other related party** | | | |
| Purchase of apparel | (b) | **98,133** | 94,856 |

notes:

(a) During the year, the Group purchased fabric and yarn from VC Group. As at 31 March 2014, the Group also placed an amount of approximately HK$27,676,000 (2013: HK$20,400,000) at VC Group as a purchase deposit.

(b) During the year, the Group purchased apparel from Kimberley. At 31 March 2014, the Group also placed an amount of approximately HK$18,617,000 (2013: HK$11,877,000) at Kimberley as a purchase deposit.

Kimberley is controlled by a Director and is deemed to be a connected party to the Group under the Listing Rules.

In addition, VC Group has leased certain land from, and provided waste water treatment services to the Group at no cost, as set out in the section headed "Exempted continuing connected transactions" in the prospectus published by the Company dated 17 September 2010.

### (ii) Balances

Details of balances with VC Group are set out in Note 23.

### (iii) Compensation of key management personnel

The Directors and the employees included in the five highest paid individuals (Note 11) are identified as key management members of the Group, their compensation during both years are set out in Note 11.

No directors' emoluments were paid or payable by the Group to certain Directors during the year ended 31 March 2014 as they are also directors of VC Group and the remuneration of these Directors was mainly borne by VC Group. It is not practicable to allocate the director's entitlements among the services to individual companies. The relevant Directors are of the opinion that the services provided to the Group only occupy an insignificant amount of their time as they mainly involve in strategy formulation and overall direction of the Group during the year ended 31 March 2014 and therefore it is concluded that they are not remunerated.

## 37. EVENTS AFTER THE REPORTING PERIOD

On 14 March 2014, Sure Strategy Limited (being a substantial Shareholder), Merlotte (a wholly-owned company of Mr. Choi Lin Hung, a director of each of VC and the Company), and Victory City Investments Limited (a wholly-owned subsidiary of VC) (collectively, the "Vendors"), entered into a conditional sale and purchase agreement (the "Share Sale Agreement") with Unitech Enterprises Group Limited (the "Purchaser"), pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, an aggregate of 320,000,000 Share of HK$0.01 each, representing approximately 71.07% of the issued share capital of the Company as at the date of the joint announcement dated 28 March 2014.

Further, on 14 March 2014, Sure Strategy Limited and the Company entered into a conditional disposal agreement (the "Disposal Agreement") pursuant to which Sure Strategy Limited has agreed to purchase, and the Company has agreed to sell the entire issued share capital of Ford Glory Holdings Limited (a wholly-owned subsidiary of the Company; and an investment holding company which hold the manufacturing and sales of garment products business of the Company) at a total cash consideration of HK$270,000,000. The disposal contemplated under the Disposal Agreement will, if it proceeds, constitute (i) a very substantial disposal and connected transaction for the Company under the Listing Rules; (ii) a discloseable and connected transaction for VC under the Listing Rules; and (iii) a special deal under Rule 25 of the Takeovers Code. Details of which events were set out in joint announcements of the Company and VC dated 28 March 2014 and 7 May 2014.

A special general meeting will be held on 10 July 2014 for independent shareholders' approval.

The Directors are in the process of assessing the financial impact of a very substantial disposal and connected transaction to the Group.

## 38. 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 | Attributable equity interest held by the Company Directly 2014 % | Directly 2013 % | Indirectly 2014 % | Indirectly 2013 % | Principal activities |
|---|---|---|---|---|---|---|---|
| Ford Glory Holdings Limited | BVI | Ordinary US$100 | **100** | 100 | **–** | – | Investment holding |
| Ford Glory Inc. | USA | Ordinary US$0.01 | **–** | – | **51** | 51 | Trading of garment products |
| Ford Glory International Limited | Hong Kong ("HK") | Ordinary HK$5,000,000 | **–** | – | **100** | 100 | Trading of garment products |
| 福源創業信息諮詢服務（深圳）有限公司(note) | PRC | Registered capital HK$3,000,000 | **–** | – | **100** | 100 | Provision of procurement services |
| 福之源貿易（上海）有限公司(note) | PRC | Registered capital RMB1,000,000 | **–** | – | **100** | 100 | Trading of garment products and accessories |
| Global Trend Investments Limited | BVI | Ordinary US$1,100,000 | **–** | – | **100** | 100 | Investment holding |
| Glory Time Limited | HK | Ordinary HK$100 | **–** | – | **70** | 70 | Trading of garment products |
| Jerash Garments and Fashions Manufacturing Company Limited | Jordan | Ordinary JD50,000 | **–** | – | **100** | 100 | Manufacture of garment products |
| Jiangmen V-Apparel Manufacturing Ltd. (note) | PRC | Registered capital HK$31,260,000 | **–** | – | **100** | 100 | Manufacture of garment products |
| Major Time Limited | HK | Ordinary HK$1 | **–** | – | **51** | 51 | Trading of garment products and accessories |
| Mayer Apparel Limited | HK | Ordinary HK$100 | **–** | – | **51** | 51 | Trading of garment products |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Attributable equity interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | | Indirectly | | |
| | | | **2014** % | 2013 % | **2014** % | 2013 % | |
| MT Studio Inc. | USA | Common stock US$1 | **–** | – | **51** | 51 | Trading of garment products and accessories |
| PT. Victory Apparel Semarang | Indonesia | Ordinary US$300,000 | **–** | – | **100** | 100 | Manufacture of garment products |
| Sky Winner Investment Limited | HK | Ordinary HK$100 | **–** | – | **70** | 70 | Trading of garment products and accessories |
| Teelocker Limited 藝田貿易(上海)有限公司 (note) | PRC | Registered capital HK$5,000,000 | **–** | – | **70** | 70 | Trading of garment products |
| Top Value Inc. | USA | Common stock US$1,000 | **–** | – | **100** | 100 | Trading of garment products |
| Value Plus (Macao Commercial Offshore) Limited | Macau | Quota capital MOP100,000 | **–** | – | **100** | 100 | Provision of quality inspection service and trading of fabric |
| Victory Apparel (Jordan) Manufacturing Company Ltd. | Jordan | Ordinary JD50,000 | **–** | – | **100** | 100 | Manufacture of garment products |

note: These companies are registered in the form of wholly foreign owned enterprise.

None of the subsidiaries had any debt securities subsisting at 31 March 2014 or at any time during the year.

### Composition of the Group

At the end of the reporting period, the Company has 13 other subsidiaries that are not material to the Group. A majority of these subsidiaries are located in BVI.

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### 38a. Details of non-wholly owned subsidiaries that have material non-controlling interests

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

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting right held by non-controlling interests | | Profit (loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014 HK$'000** | 2013 HK$'000 | **2014 HK$'000** | 2013 HK$'000 |
| Mayer | HK | **49%** | 49% | **955** | 610 | **11,403** | 10,448 |
| Talent Partner | BVI | **49%** | 49% | **(5,976)** | (2,713) | **(8,689)** | (2,713) |
| Individually immaterial subsidiaries with non-controlling interests (note) | | | | | | **(4,432)** | (2,072) |
| | | | | | | **(1,718)** | 5,663 |

note: Since these subsidiaries did not have significant assets and liabilities, the major balance of accumulated non-controlling interests arose from the share of losses.

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### 38a. Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of Mayer is as set out below. The summarised financial information below represents amounts before intragroup eliminations.

**Mayer**

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Current assets | **32,778** | 22,287 |
| Non-current assets | **50** | 100 |
| Current liabilities | **(9,558)** | (1,065) |
| Equity attributable to owners of the Company | **11,867** | 10,874 |
| Non-controlling interests | **11,403** | 10,448 |
| Revenue | **113,899** | 111,075 |
| Expenses | **(111,950)** | (109,829) |
| Profit for the year | **1,949** | 1,246 |
| Profit attributable to owners of the Company | **994** | 636 |
| Profit attributable to non-controlling interests | **955** | 610 |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### 38a. Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Total comprehensive income attributable to owners of the Company | **994** | 636 |
| Total comprehensive income attributable to non-controlling interests | **955** | 610 |
| Total comprehensive income for the year | **1,949** | 1,246 |
| Net cash (outflow) inflow from operating activities | **(10)** | 569 |
| Net cash (outflow) inflow | **(10)** | 569 |

Summarised financial information in respect of Talent Partner is as set out below. The summarised financial information below represents amounts before intragroup eliminations.

**Talent Partner**

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Current assets | **5,983** | 45,734 |
| Non-current assets | **89** | 103 |
| Current liabilities | **(23,804)** | (51,373) |
| Equity attributable to owners of the Company | **(9,043)** | (2,823) |
| Non-controlling interests | **(8,689)** | (2,713) |
| Revenue | **69,221** | 149,343 |
| Expenses | **(81,417)** | (154,879) |
| Loss for the year | **(12,196)** | (5,536) |
| Loss attributable to owners of the Company | **(6,220)** | (2,823) |
| Loss attributable to non-controlling interests | **(5,976)** | (2,713) |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### 38a. Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Total comprehensive expenses attributable to owners of the Company | (6,220) | (2,823) |
| Total comprehensive expenses attributable to non-controlling interests | (5,976) | (2,713) |
| Total comprehensive expenses for the year | (12,196) | (5,536) |
| Net cash inflow (outflow) from operating activities | 3,076 | (1,421) |
| Net cash outflow from investing activities | (6) | (125) |
| Net cash (outflow) inflow from financing activities | (28,856) | 28,856 |
| Net cash (outflow) inflow | (25,786) | 27,310 |

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