百德國際有限公司

Pak Tak International Limited

Stock Code: 2668

Annual Report 2016

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Chi Mang *(Chairman of the Board)*
Mr. Ko Kin Chung *(Chief Executive Officer)*
Mr. Shang Yong

Non-Executive Directors

Mr. Law Fei Shing
Mr. Chong Ka Yee

Independent Non-Executive Directors

Mr. Liu Kam Lung
Mr. Wu Shiming
Mr. Chan Sun Kwong

COMPANY SECRETARY

Ms. Chan Lok Yin

FINANCIAL CONTROLLER

Mr. Sze Kat Man

AUTHORISED REPRESENTATIVES

Mr. Ko Kin Chung
Ms. Chan Lok Yin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1807, 18/F.,
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road
North Point
Hong Kong

CORPORATE GOVERNANCE COMMITTEE

Mr. Cheung Chi Mang *(Chairman)*
Mr. Ko Kin Chung
Mr. Liu Kam Lung
Mr. Wu Shiming
Mr. Chan Sun Kwong

NOMINATION COMMITTEE

Mr. Liu Kam Lung *(Chairman)*
Mr. Cheung Chi Mang
Mr. Ko Kin Chung
Mr. Wu Shiming
Mr. Chan Sun Kwong

REMUNERATION COMMITTEE

Mr. Chan Sun Kwong *(Chairman)*
Mr. Cheung Chi Mang
Mr. Ko Kin Chung
Mr. Liu Kam Lung
Mr. Wu Shiming

AUDIT COMMITTEE

Mr. Chan Sun Kwong *(Chairman)*
Mr. Liu Kam Lung
Mr. Wu Shiming

STOCK CODE

2668

PRINCIPAL BANKERS

Chong Hing Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

WEBSITE

www.paktakintl.com

DEAR SHAREHOLDERS

On behalf of the board of directors (the "**Directors**") of Pak Tak International Limited (the "**Company**"), I present the annual results of the Company and its subsidiaries (together the "**Group**") for the financial year ended 31 March 2016.

BUSINESS REVIEW

Manufacturing of and trading of garment products

This is a challenging year for the garment and apparel industry. The economy in the USA, our major export market, was recovered slowly. The consumer confidence was low and the customers remained cautious about the prospects. The economy in Europe, our second major export market, was still unstable with the political uncertainties.

As a result, the Group's revenue from the manufacturing of and trading of garment products was further contracted for the year. The Group recorded a turnover of HKD308.5 million which represented a decrease of 16% over the previous year. In spite of focusing on the premium sales which yield higher profit margin, the Group continued to face constant rises in raw material prices and factory operating costs in China. The result was that the gross profit margin of the Group decreased from 6.4% during the last year to 4.7%.

LOOKING FORWARD

Looking ahead into next financial year, the environment for the garment and apparel industry is likely to remain complex and challenging. Recovery of the global economy remains slow, and an improvement in USA and Europe demand is uncertain in the future. The Group will continue to monitor its operation and the market condition closely. Nevertheless, with the solid customers' base, we still believe that our business will grow again when the market and the industry conditions return to normal. The Group is poised to explore further potential investment opportunities with higher return.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks and appreciation to all our shareholders for their support, to our customers, suppliers, and business partners for their trust and confidence, and to the management and staff for their outstanding efforts and dedication.

Cheung Chi Mang
Chairman

Hong Kong, 29 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF RESULTS

Turnover

The Group's turnover for the year ended 31 March 2016 amounted to HKD308.5 million. This represented a decrease of 16% over the turnover of HKD366.4 million in the same period of last year. The decrease is mainly due to drop of orders placed from the USA and Europe where market sentiment was poor due to the bizarre warm weather in last year and this year.

For the year under review, the Group's major market remained to be the USA, which accounted for 78% of the Group's total turnover, whereas 18% of the Group's total turnover was attributed to sales to Europe and Asia.

Gross profit

The gross profit decreased significantly by 38% from HKD23.4 million to HKD14.5 million for the year ended 31 March 2016. The decrease was caused primarily by the decrease in turnover and gross profit margin.

Administrative expenses

The Group's administrative expenses increased by HKD18.0 million from HKD31.7 million for the year ended 31 March 2015 to HKD49.7 million for the year ended 31 March 2016 primarily due to (1) the increase in advisory, legal and professional fees in relation to the business development and corporate actions, and (2) the increase of office expenses due to the expansion of head office.

Selling expenses

The Group's selling expenses decreased by HKD4.8 million from HKD15.2 million for the year ended 31 March 2015 to HKD10.4 million for the year ended 31 March 2016, due to the decrease in the selling commissions in line with decrease in turnover.

Loss for the year

For the year ended 31 March 2016, the Group recorded a net loss of HKD39.7 million as compared to a net loss of HKD6.5 million for the year ended 31 March 2015, mainly due to (i) a decline in turnover from HKD366.4 million to HKD308.5 million and a lower gross profit from HKD23.4 million to HKD14.5 million due to the drop of orders placed from the USA and Europe market sentiment was poor, (ii) the one-off gain on disposal of subsidiaries of HKD9.4 million for the year ended 31 March 2015 which did not occur for the year ended 31 March 2016, and (iii) significant increase of HKD18 million in administrative expenses which was more than the reduction in selling expenses.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2016, the cash and cash equivalents (excluding bank overdrafts) of the Group were HKD154.3 million (2015: HKD153.9 million). As at 31 March 2016, the Group's bank loans and overdraft were HKD27.6 million (2015: HKD26.0 million).

The Group principally satisfies its demand for operating capital with cash inflow from its operations and credit facilities of over HKD80.0 million (2015: HKD80.0 million), which were secured by legal charges on leasehold properties of companies controlled by Mr. Cheng Kwai Chun, John ("Mr. Cheng"), legal charges on certain assets of Mr. Cheng and personal guarantees from Mr. Cheng.

At 31 March 2016, bank loans of HKD8.0 million (2015: HKD6.0 million) were secured by corporate guarantee from the Company, legal charges on leasehold properties of companies controlled by and personal guarantees from Mr. Cheng. Bank overdraft of HKD19.6 million (2015: HKD19.9 million) was secured by legal charge on certain assets of Mr. Cheng.

FOREIGN EXCHANGE RISKS AND INTEREST RATE RISK MANAGEMENT

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency exchange risk stems from the exchange rate movements of the Hong Kong dollar, which is pegged to the United States dollar, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in United States dollar, while the Group's operations in China, the location of its production, are primarily conducted in Renminbi, while its Hong Kong operations are conducted in Hong Kong dollar. The management will closely monitor such risk and will consider hedging significant foreign currency exposure should the need arise.

The Group has slightly increased its debt exposure by about 7%. The Directors are of the opinion that the Group is not subject to significant interest rate risk even though the bank loans and overdraft of the Group, denominated in Hong Kong dollars, are on floating rate basis. The debt to equity ratio was 20% (2015: 15%), the interest rate exposure is not significant.

DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31 March 2016 (2015: HKDnil).

CHARGE ON GROUP ASSETS

At 31 March 2016 and 31 March 2015, no asset of the Group was pledged to secure the credit facilities utilised by the Group.

FINANCIAL GUARANTEES ISSUED

At 31 March 2016, the Company had issued corporate guarantees amounting to HKD60.0 million (2015: HKD60.0 million) to banks in connection with facilities granted to a subsidiary.

The guarantees were issued by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39, Financial instruments: Recognition and measurement, had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

At 31 March 2016, the Directors considered it was not probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued amounted to the facilities drawn down by a subsidiary of HKD8.0 million (2015: HKD6.0 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the year, the Group invested HKD7.4 million (2015: HKD2.5 million) in property, plant and equipment which was spent on leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles.

As of 31 March 2016, the Group had capital commitments of HKDnil million (2015: HKD0.6 million) in acquisition of property, plant and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group had a total of around 1,580 employees. The total staff costs of the Group amounted to HKD98.3 million during the year, representing 32% of the Group's turnover. Salaries, wages and allowances amounted to HKD88.1 million, representing a decrease of 14% as compared to previous year. Employees' remuneration and bonuses are based on their responsibilities, performance, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company in order to ensure that the packages are competitive. The Group provides relevant training to its employees in accordance with the skill requirements of different positions.

MAJOR EVENTS DURING THE YEAR UNDER REVIEW

Issue of unlisted warrants

For the year ended 31 March 2016, the Company completed the placing agreement with a placing agent under specific mandate and issued 283,000,000 unlisted warrants at an issue price of HKD0.02 per warrant to six independent third parties. The placing unlisted warrants entitled the holders to subscribe for up to 283,000,000 new shares at an exercise price of HKD3 per share. The subscription right is exercisable during a period of three years from the date of issue of the unlisted warrants. Upon the issuance of 283,000,000 unlisted warrants, the net proceeds after deducting the transaction costs and after deducting the related costs were HKD5.5 million and HKD5.1 million respectively, which had been applied to the Group's general working capital.

No unlisted warrant was exercised to subscribe for shares of the Company and there are 283,000,000 unlisted warrants outstanding at the end of the reporting period. If the full exercise of the subscription rights of the unlisted warrants at the initial subscription price of HKD3, it is expected up to an additional of HKD849 million will be raised and expected to be used as the Group's general working capital, future business development and potential acquisition of the Group.

Unconditional mandatory cash offers (the "Offer")

As disclosed in the composite offer and response document of the Company dated 1 February 2016 (the "**Composite Document**") and the joint announcement dated 11 January 2016, the Board was informed by Hong Kong Investments Group Limited (the "**Offeror**") that on 4 January 2016 and 5 January 2016, the Offeror and Mr. Cheng Tun Nei, Well Precise, Mr. Chen Yaoqing, Wealth Achiever and Golden Mount (the "**Vendors**") entered into the sale and purchase agreement or the contract note (the "**S&P Documents**"). Pursuant to the terms of the S&P Documents, the Offeror conditionally agreed to acquire and the Vendors conditionally agreed to sell 380,488,490 Shares of the Company (the "**Sale Shares**") for an aggregate cash consideration of HKD209,268,669.50, equivalent to HKD0.55 per Sale Share. Completion of the transaction took place on 8 January 2016.

Upon completion, the Offeror was required to make the Offer for all the issued shares and outstanding warrants of the Company other than those already owned by the Offeror and parties acting in concert with it at HKD0.55 for each share ("**Share Offer**") and HKD0.0001 for each warrant ("**Warrant Offer**"). Pursuant to the joint announcement dated 22 February 2016, the Offeror received valid acceptances in respect of a total of 377,479,460 shares under the Share Offer; and not received any valid acceptances in respect of any warrants under the Warrant Offer.

Upon the close of the Offer, the Company cannot fulfill the minimum public float requirement set out under Rule 8.08(1)(a) of the Listing Rules and the details please refer to the heading "Sufficiency of Public Float" under the Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The business operations and results may be affected by various factors, some of which are external causes and some are inherent to the business. The principal risks and uncertainties are summarized below:

Macroeconomic Risk

The Group is principally engaged in manufacturing, on an OEM basis, and trading of men's, ladies' and children's knit-to-shape garments for export mainly to the United States and Europe. The global economy and business environment was still uncertainties and facing challenges, such as the Chinese economic slowdown, political uncertainties in Europe and slow recovery of the USA economy. The aforementioned challenges affect the consumer confidence which may decrease the revenue and profit margin. The Group will closely monitor the changes of the macroeconomic environment with appropriate response in a timely manner.

Risks of increased cost

Increased cost will lower the profitability of the Group, especially in continuous rising labour costs, volatile raw material prices and factory operating cost. To overcome such difficulties, the Group will fully utilise the operating capacity and strengthen the production efficiency and cost effectiveness of the factory.

Regulation Risks

The Group is subject to the changing legal, tax, and regulatory requirements in the Mainland which the factory and the operation located. New and changing policies or applications by Chinese government may pose a risk to the Group's returns. The Group continually monitors changes in local government policies and legislation and seek for legal advice when necessary.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintain the high level of environmental and social standards to ensure sustainable development of its business. The Group has complied, to best of our knowledge, with the relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products to its customers so as to ensure sustainable development.

FUTURE PROSPECTS

Looking into the future, the Group believes that the garment and textile industry is still uncertainties from the continuous rising labour costs, volatile raw material prices and stricter environmental regulations in the Mainland China. Together with the view of sustained economic hardships, the Group expects that the coming year will continue to be very challenging. Despite the uncertainties ahead, the Group shall maintain a prudent and pragmatic approach and focus on high quality and productivity to improve the profitability.

The Group will continue to explore new investment opportunities and is looking for the valuable investment projects with the aim to enhance the returns to the Company and its shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Cheung Chi Mang ("Mr. Cheung"), aged 49, was appointed as Executive Director and Chairman of the Board of the Company on 5 September 2014. He is the Chairman of the Corporate Governance Committee and a member of each of the Remuneration Committee and the Nomination Committee.

Mr. Cheung obtained a certificate for doctorate seminar course in Management Philosophy from Beijing Normal University in 2010.

Currently, Mr. Cheung is the chairman of Xiaxin Capital Limited, chairman of Xiamen Xiaxin Investment Group Limited and a director and chairman of Hong Kong Investments Group Limited, a substantial shareholder of the Company. He has extensive experience and connections in international trade, corporate operation, corporate management, investment and financial business.

Mr. Cheung is the sole director and beneficial owner of Hong Kong Investments Group Limited, a substantial shareholder of the Company. As at the date hereof, pursuant to Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) (the "SFO"), Mr. Cheung is a substantial shareholder of the Company and is beneficially interested in 1,053,067,950 shares of the Company, representing approximately 74.42% of the issued share capital of the Company as at the date hereof.

Mr. Ko Kin Chung ("Mr. Ko"), aged 54, was appointed as Executive Director and Chief Executive Officer of the Company on 1 December 2014. He is a member of each of the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee and one of the authorised representatives of the Company.

He graduated from Beijing Economics and Management College majoring in economic management in 2006. Mr. Ko attended president and sinology courses at the School of Management of Xiamen University in 2011 and 2014 respectively.

From 1980 to 1996, Mr. Ko served as the deputy general manager of a stated-owned company, Shishi Food & Oil Corporation, in Fujian Province, and was responsible for the daily operation and management, as well as, negotiation with relevant government authorities. In 1997, Mr. Ko resigned from the state-owned company and joined GoldSilk Holdings Limited, a company engaged in commercial trading, hotel investment and operation, industrial investment and management, asset investment and operation in China and Hong Kong. Mr. Ko is currently the PRC general manager of GoldSilk Holdings Limited, and is responsible for its investment, operation and management projects in both the PRC and Hong Kong.

Mr. Shang Yong ("Mr. Shang"), aged 38, was appointed as Executive Director of the Company on 4 February 2016. Mr. Shang graduated from the School of Economics and Finance, Xi'an Jiaotong University in 2004 with a Master of Science degree in economics and is a CFA Charter Holder.

Currently, Mr. Shang is a director in Leveraged and Acquisition Finance Department of Haitong International Securities Company Limited, a wholly-owned subsidiary of Haitong International Securities Group Limited, the shares of which are listed on the Stock Exchange (stock code: 665), and a director of China Grand Automotive Services Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600297). Prior to joining Haitong International Securities Company Limited, he has served successively for Bank of Shanghai, International Business Department of Haitong Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 6837) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 600837), and has served successively for Haitong Finance (HK) Limited, an indirectly wholly-owned subsidiary of Haitong Securities Co., Ltd., Investment Banking Department and asset management department of Tebon Securities Co., Ltd. since 2004.

Mr. Shang has extensive experience in the area of investment banking, asset management and private equity investment, and has participated in and played leading roles in a number of deals relating to such areas, including the IPO of Haitong Securities Co., Ltd. in Hong Kong, etc. With solid background of accounting and legal knowledge, Mr. Shang provides professional insights into the investment in Mainland, China.

NON-EXECUTIVE DIRECTORS

Mr. Law Fei Shing ("Mr. Law"), aged 56, was appointed as Executive Director on 6 August 2013 and re-designated from Executive Director to Non-Executive Director of the Company on 16 December 2014.

Mr. Law is a member of American Institute of Certified Public Accountants (AICPA), USA and an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Law has over 26 years of experience in audit and accounting services.

Currently, Mr. Law is an executive director and the company secretary of Anxian Yuan China Holdings Limited (stock code: 922), and a non-executive director of Beautiful China Holdings Company Limited (stock code: 706), and re-designated from an executive director to a non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355), companies listed on the Stock Exchange.

Mr. Law was an executive director (from August 2004 to December 2011), the company secretary (from August 2004 to May 2011) and the chief executive officer (from November 2007 to December 2011) of Energy International Investments Holdings Limited (stock code: 353), and an executive director (from January 2009 to May 2013), the company secretary (from January 2009 to January 2013) of Bestway International Holdings Limited (stock code: 718), and a company secretary (from March 2013 to May 2016) of Orient Securities International Holdings Limited (stock code: 8001), companies listed on the Stock Exchange.

Mr. Chong Ka Yee ("Mr. Chong"), aged 32, was appointed as Non-Executive Director of the Company on 4 February 2016. Mr. Chong graduated from The University of Melbourne in Australia with a Bachelor degree in Commerce in 2004 and is a CFA Charter Holder.

Currently, Mr. Chong is a vice president of Leveraged and Acquisition Finance Department of Haitong International Securities Company Limited, a wholly-owned subsidiary of Haitong International Securities Group Limited, the shares of which are listed on the Stock Exchange (stock code: 665). He has been in the investment banking industry for more than 10 years. Mr. Chong has extensive experience in the area of merger and acquisition, listed company corporate action, and has participated in and played leading roles in a number of deals relating to such areas.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Kam Lung ("Mr. Liu"), aged 52, was appointed as Independent Non-Executive Director of the Company on 24 September 2014. He is the Chairman of the Nomination Committee and a member of each of the Audit Committee, the Remuneration Committee and the Corporate Governance Committee.

He has over 25 years of experience in the financial industry. Mr. Liu obtained a Diploma of Business Administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1990. Mr. Liu was admitted as an associate of The Institute of Chartered Secretaries and Administrators of the United Kingdom, an associate of The Hong Kong Institute of Chartered Secretaries, an associate of Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants, a full member of the Society of Registered Financial Planners and an associate of the Taxation Institute of Hong Kong in 1993, 1994, 1995, 1999, 2009 and 2010 respectively.

Currently, Mr. Liu is the chief executive officer of China Rise Finance Group Company Limited, a subsidiary of Symphony Holdings Limited (stock code: 1223), a non-executive director of Megalogic Technology Holdings Limited (stock code: 8242) and an independent non-executive director of Enterprise Development Holdings Limited (stock code: 1808).

Mr. Liu had been a non-executive director of Kith Holdings Limited (stock code: 1201) for the period from October 2010 to June 2013, and an executive director, finance director, company secretary and authorised representative of Megalogic Technology Holdings Limited (stock code: 8242) for the period from March 2011 to October 2014.

Mr. Wu Shiming ("Mr. Wu"), aged 40, was appointed as Independent Non-Executive Director of the Company on 24 September 2014. He is a member of each of the Nomination Committee, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee.

Mr. Wu has over 19 years of experience in accounting and financial management. He graduated from a course in foreign economic enterprise financial accounting at Jimei University in 1995 and obtained a degree in finance at Xidian University in March 2011. He was accredited accountant qualifications in the PRC in December 2001.

Currently, Mr. Wu is an executive director and deputy chief executive officer of Leyou Technologies Holdings Limited (formerly known as Sumpo Food Holdings Limited) (Stock Code: 1089), and an independent non-executive director of Yueshou Environmental Holdings Limited (Stock Code: 1191) and China Putian Food Holding Limited (Stock Code: 1699), companies listed on the Stock Exchange.

Mr. Chan Sun Kwong ("Mr. Chan"), aged 49, was appointed as Independent Non-Executive Director of the Company on 1 December 2014. He is a chairman of each of the Audit Committee and the Remuneration Committee, and a member of each of the Nomination Committee and the Corporate Governance Committee.

Mr. Chan has more than 20 years of auditing, accounting and company secretarial experience. Mr. Chan obtained a Diploma of Business Administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1990. He is currently a fellow of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Currently, Mr. Chan is the company secretary of Sam Woo Construction Group Limited (Stock Code: 3822) and the company secretary of KPa-BM Holdings Limited (Stock Exchange: 8141), the shares of which are listed on the Stock Exchange.

Mr. Chan had been an independent non-executive director (from December 2010 to April 2015) of Megalogic Technology Holdings Limited (Stock code: 8242), and a company secretary (from December 2010 to September 2014) of Powerwell Pacific Holdings Limited (stock code: 8265), and a company secretary (from March 2003 to June 2011) and an executive director (from March 2003 to June 2011) of Sam Woo Holdings Limited (now known as Noble Century Investment Holdings Limited) (stock code: 2322), companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Cheng Kwai Chun, John, aged 44, joined the Group in 1996 and is in charge of major manufacturing and trading subsidiaries of the Group. He obtained a Bachelor degree in science from the University of New South Wales, Australia, and a Master degree in Finance from the RMIT University, Australia. Mr. Cheng is also awarded the "Professional Diploma in Corporate Governance and Directorship" by Hong Kong Productivity Council and The Hong Kong Institute of Directors and a diploma in business management by the Hong Kong Management Association.

Mr. Sze Kat Man, aged 29, joined the Group in October 2014 as the Financial Controller of the Group. He is currently responsible for the overall financial management of the Group. Mr. Sze graduated from City University of Hong Kong with an Associate of Business Administration in Accountancy and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Sze has over 7 years of experience in professional audit and accounting fields.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing, on an OEM basis, and trading of men's, ladies' and children's knit-to-shape garments for export mainly to the United States and Europe. Details of the principal activities of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2016.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 March 2016 is set out in note 11 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2016, the five largest customers of the Group together accounted for 91% of the Group's total turnover, with the largest customer accounting for 23% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was 50% of the total purchase of the Group for the year ended 31 March 2016, and the largest supplier accounted for 25% of the Group's total purchases.

At no time during the year did any Director, any associate of a Director, or any shareholder of the Company, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers and suppliers mentioned above.

RESULTS

Details of the results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss on page 28 of this Annual Report.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 March 2016 (2015: HKDnil).

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 78 of this Annual Report.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31 of this Annual Report.

BORROWINGS

The Group had bank loans and overdraft totaling HKD27.6 million at 31 March 2016.

CHARITABLE DONATIONS

Charitable donations of HKD30,000 were made by the Group for the year ended 31 March 2016.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2016, the Group's additions to property, plant and equipment amounted to HKD7.4 million.

Movements in the property, plant and equipment of the Group for the year ended 31 March 2016 are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details in the share capital of the Company are set out in note 24(c) to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Cheung Chi Mang
Mr. Ko Kin Chung
Mr. Shang Yong *(Appointed on 4 February 2016)*

Non-executive Directors

Mr. Law Fei Shing
Mr. Chong Ka Yee *(Appointed on 4 February 2016)*

Independent non-executive Directors

Mr. Chan Sun Kwong
Mr. Liu Kam Lung
Mr. Wu Shiming

Each executive Director has entered into continuous service contract with the Company. Except for one non-executive Director, all non-executive Directors (including independent non-executive Directors) are appointed for an initial term of one year or three years. All the Directors are subject to retirement in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Bye-laws of the Company.

In accordance with the Bye-laws of the Company, Mr. Cheung Chi Mang, Mr. Shang Yong, Mr. Law Fei Shing and Mr. Chong Ka Yee will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The biographical details of Directors and senior management are set on pages 8 to 10 of this Annual Report.

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2016, the interests and short positions of each Director and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of 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**")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Listing Rules, were as follows:

Name of Director	**Number of shares interested (long position)**	**Capacity**	**Approximate percentage of the issued share capital of the Company** *(Note 2)*
Mr. Cheung Chi Mang	1,137,967,950 *(Note 1)*	Controlled Corporation	80.42%

Notes:

1. These shares are held by Hong Kong Investments Group Limited ("**HK Investments**"), a company incorporated in the British Virgin Islands. Mr. Cheung Chi Mang is the sole director and shareholder of HK Investments and HK Investments acts in accordance with his directions or instructions. As such, Mr. Cheung Chi Mang is taken or deemed to be interested in the shares of the Company held by HK Investments.

2. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2016 which was 1,415,000,000.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a shareholders' resolution passed on 23 August 2011 for the primary purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme was adopted. Under the Scheme, the Directors may grant options to eligible employees, any executive and non-executive director (including independent non-executive director) of the Group and other eligible participants to subscribe for shares in the Company (the "**Shares**"), at a price to be determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. A nominal consideration of HKD1 is payable on acceptance of the grant of an option.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not exceed 10% of the Shares in issue on the date of approval of the refreshed limit.

Unless approved by shareholders of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options to be 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.

No options under the Scheme were granted or exercised during the year and there were no outstanding options at 31 March 2016 and 31 March 2015.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" above, other equity-linked agreement entered into by the Group, or existed during the year are set out in the section headed "Major Events During The Year Under Review" – Issue of unlisted warrants and also note 24(d)(ii) to the consolidated financial statements.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' Interests in Securities" and "Share Option Scheme" above, at no time during the year was the Company, or its subsidiaries, a party to any arrangement to enable the Directors and their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director has, or at any time during the year had, any interest, in anyway, directly or indirectly, in any transaction, arrangement or contract with the Company or its subsidiaries which was significant in relation to the business of the Company.

RELATED PARTY TRANSACTIONS

The Group entered into certain related party transactions as disclosed in note 4 and 29 to the consolidated financial statements. Details of any related party transactions which also constitute continuing connected transactions not exempted under Rule 14A.73 of the Listing Rules are disclosed in the section headed "Continuing Connected Transactions" in this report. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 March 2016.

COMPETING INTERESTS

As of 31 March 2016, none of the Directors had any interest in a business which competed or may compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Immediately after the close of the Offer by Hong Kong Investments Group Limited (the "**HK Investments**") for all the issued shares of the Company on 22 February 2016, there were 277,032,050 shares of the Company, representing approximately 19.58% of the total issued share capital, being held by the public. Accordingly, the Company has made an application to the Stock Exchange for, and the Stock Exchange granted the Company from, a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of two months commencing from 22 February 2016 and further extend the temporary waiver for the period form 22 April 2016 to 28 April 2016.

On 28 April 2016, HK Investments transferred 84,900,000 Shares it owned, representing 6% of the total issued share capital of the Company, to independent third parties and, as a result, the public float of the Company has been restored to not less than 25%.

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained the percentage prescribed under the Rules Governing the Listing of Securities on the Stock Exchange of the Company's shares in public hands as at the latest practicable date prior to the issue of this Annual Report.

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Group. At no time during the year ended 31 March 2016 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and directors of the subsidiaries of the Group.

SUBSTANTIAL SHAREHOLDER

As of 31 March 2016, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	**Number of shares interested (long position)**	**Capacity**	**Approximate percentage of the issued share capital of the Company** *(Note 2)*
Hong Kong Investments Group Limited	1,137,967,950	Beneficial owner	80.42% *(Note 1)*

Notes:

1. Hong Kong Investments Group Limited ("**HK Investments**") is incorporated in the British Virgin Islands, the entire issued share capital of which is wholly owned by Cheung Chi Mang. The sole director of HK Investments is Mr. Cheung Chi Mang. The interests of HK Investments are also disclosed as the interest of Mr. Cheung Chi Mang, the beneficial owner of HK Investments, in the above section headed "Directors' Interests in Securities".

2. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2016 which was 1,415,000,000.

Other than as disclosed above, so far as was known to any Director or chief executive of the Company, no other person had any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO as at 31 March 2016.

CONTINUING CONNECTED TRANSACTIONS

The Company had certain continuing connected transactions during the year, brief particulars of which are as follows:

On 18 June 2014, the Company, as licencee, entered into a licence agreement (the "**HK Licence Agreement**") with Pak Tak Knitting & Garment Factory Limited ("**Pak Tak Knitting**"), as licensor, in relation to the licencing of certain part located at Units 405-410, 4/F., Fanling Industrial Centre, 21 On Kui Street, Fanling, New Territories, Hong Kong.

On the same day, Pak Tak Knitting (Dong Guan) Limited ("**Pak Tak DG**"), an indirectly wholly-owned subsidiary of the Company, as tenant, entered into a lease agreement (the "**PRC Lease Agreement**") with Pak Tak Knitting, as landlord, in relation to the leasing of certain part of the factory complex located at Qiao Long Road, Qiaotou Town, Dongguan, Guangdong Province, the PRC.

As mentioned above, Mr. Cheng is the then director and substantial shareholder of the Company. Following the completion of Disposal Agreement, Pak Tak Knitting is a connected person of the Company by virtue of being an associate of Mr. Cheng. Consequently, the transactions under the HK Licence Agreement and the PRC Lease Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of the HK Licence Agreement and the PRC Lease Agreement were as follows:

HK Licence Agreement

Term	:	Five years from 19 September 2014 to 18 September 2019
Monthly licence fee	:	HKD75,100
Use of the licence	:	As ancillary office by the Company

PRC Lease Agreement

Term	:	Five years from 19 September 2014 to 18 September 2019
Monthly rent fee	:	HKD320,000
Use of the premises	:	As factory and ancillary office by the Pak Tak DG

The annual caps in respect of the transactions under the HK Licence Agreement and the PRC Lease Agreement for each financial year during the term of each of the HK Licence Agreement and the PRC Lease Agreement is HKD901,200 and HKD3,840,000 respectively. The annual licence fee and annual rent paid or payable by the Company and Pak Tak DG under the HK Licence Agreement and PRC Lease Agreement respectively, for each of the five financial years ending 31 March 2020 was as follows:

Term	**Licence fee** *HKD'000*	**Rent** *HKD'000*
19 September 2014 to 31 March 2015	478	2,037
1 April 2015 to 31 March 2016	901	3,840
1 April 2016 to 31 March 2017	901	3,840
1 April 2017 to 31 March 2018	901	3,840
1 April 2018 to 31 March 2019	901	3,840
1 April 2019 to 18 September 2019	423	1,803

The terms of the HK Licence Agreement and the PRC Lease Agreement were arrived at after arm's length negotiations between the Company, Pak Tak DG and Pak Tak Knitting and determined with reference to the prevailing market rent of the surrounding comparable premises in the vicinity of the licensed premises and the leased premises based on the opinion of an independent qualified professional valuer. Further details of the continuing connected transactions were set out in the announcement of the Company dated 18 June 2014 and the circular of the Company dated 29 July 2014.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board of Directors.

Confirmation of INEDs

The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that during the year such transaction has been entered into:

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

(ii) on normal commercial terms; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the listed issuer's shareholders as a whole.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Baker Tilly Hong Kong Limited as auditors of the Company.

PRE-EMPTIVE RIGHTS

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

On behalf of the Board
Cheung Chi Mang
Chairman

Hong Kong, 29 June 2016

CORPORATE GOVERNANCE

The Company's corporate governance structure mirrors the provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "**Model Code**"). The Company ascribes to good governance and transparency with a view that through these business ethics, shareholders and other stakeholders are assured of a solid and credible business framework. The Company recognises the need to adapt and improve business practices in the light of the evolving business environment, investor expectations and regulatory requirements. The board of Directors (the "**Board**") is tasked to review the corporate governance structure of the Company and effect changes whenever necessary. It views the need for transparency in practices and policies and making informed decisions as fundamental.

Throughout year ended 31 March 2016, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, except the following deviations:

Under code provision A.4.1, non-executive directors should be appointed for a specific term and are subject to re-election. Mr. Law Fei Shing, who is non-executive Director of the Company, was not appointed for specific term but is subject to retirement by rotation and re-election at annual general meeting.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Wu Shiming, an independent non-executive Director could not attend the annual general meeting and special general meeting of the Company both held on 18 August 2015 due to his business commitments.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

In respect of securities transactions by Directors, the Company's corporate governance structure are based on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code in the year ended 31 March 2016.

BOARD OF DIRECTORS

As at 31 March 2016, the Board comprises eight members, three of whom are executive Directors, two non-executive Directors and three independent non-executive Directors. Biographical details of the Directors are described in pages 8 to 10 of this Annual Report.

The Board is tasked with, inter alia:

- the strategic direction and objectives of the Company;
- overseeing the management of Company stakeholders' relationships;
- monitoring the performance of management; and
- ensuring that the Company operates under a framework based on prudence and effective management and control in which risks are properly assessed and managed.

In its supervisory role over the management of the business and affairs of the Group, the Corporate Governance Committee ensures that effective corporate governance is practised. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of Group.

The Chairman of the Board and Chief Executive Officer of the Company perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. Save for the aforesaid, none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

The Board diversity is achieved through a composition of members coming from a variety of background, experience, skills and perspectives. The newly appointed directors, namely Mr. Shang Yong and Mr. Chong Ka Yee, complemented the existing board with valuable expertise and professionalism. The spectrum of the Board was thus further enhanced. Board appointments has been and will be based on individual merit aiming at complementing the skills and experience of the Board as a whole, taking into account gender, age, professional experience and qualifications, education background.

The Board has delegated the authority and responsibility for implementing business strategy and managing day-today administration and operations of the Group's business to the Chief Executive Officer and the senior management. While allowing management with substantial autonomy to run and develop the business, the Board is proactive in reviewing the results of the delegated functions and work tasks.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year, the Directors participated in continuous professional development training geared towards improving their knowledge and skills in their fiduciary roles and duties. All Directors confirmed to the Company that they had received continuous professional development during the year. Details as follows:

Name	Attending seminar(s) or programme(s)/reading relevant materials in relation to the business, the Listing Rules or directors' duties (Yes/No)
Executive Directors	
Mr. Cheung Chi Mang	Yes
Mr. Ko Kin Chung	Yes
Mr. Shang Yong	Yes
Non-Executive Directors	
Mr. Law Fei Shing	Yes
Mr. Chong Ka Yee	Yes
Independent Non-executive Directors	
Mr. Liu Kam Lung	Yes
Mr. Wu Shiming	Yes
Mr. Chan Sun Kwong	Yes

INDEPENDENT NON-EXECUTIVE DIRECTORS

More than one independent non-executive Director possesses appropriate professional accounting qualifications and financial management expertise. Each of the independent non-executive Directors has confirmed to the Company his independence pursuant to the Listing Rules and the Company considers that each of them is independent.

DIRECTOR'S ATTENDANCE AT BOARD MEETINGS, COMMITTEE MEETINGS AND SHAREHOLDERS MEETING

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	General Meeting *(Note)*
Executive Directors						
Mr. Cheung Chi Mang *(Chairman of the Board)*	9/9	N/A	4/4	3/3	2/2	2/2
Mr. Ko Kin Chung *(Chief Executive Officer)*	9/9	N/A	4/4	3/3	2/2	2/2
Mr. Shang Yong *(appointed on 4 February 2016)*	0/1	N/A	N/A	N/A	N/A	N/A
Non-executive Directors						
Mr. Law Fei Shing	8/9	N/A	N/A	N/A	N/A	2/2
Mr. Chong Ka Yee *(appointed on 4 February 2016)*	1/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Liu Kam Lung	9/9	4/4	4/4	3/3	2/2	2/2
Mr. Wu Shiming	8/9	3/4	4/4	3/3	1/2	0/2
Mr. Chan Sun Kwong	9/9	4/4	4/4	3/3	2/2	2/2

Note: The General Meeting refers to the annual general meeting and special general meeting both held on 18 August 2015.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee was formed on 23 March 2005. The terms of reference of the Nomination Committee include making recommendations for all appointment and re-appointment of Directors to the Board. The majority of the Nomination Committee consists of independent non-executive Directors and its members are:

Mr. Liu Kam Lung *(independent non-executive director) (Chairman)*
Mr. Chan Sun Kwong *(independent non-executive director)*
Mr. Cheung Chi Mang *(executive director)*
Mr. Ko Kin Chung *(executive director)*
Mr. Wu Shiming *(independent non-executive director)*

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals. It is also responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating in Board's performance, the Nomination Committee considers a number of factors, including those set out in the Code.

For the year ended 31 March 2016, three Nomination Committee meetings were held and the members' attendance is shown on page 20 of this annual report.

The major role and function of the Nomination Committee includes:

(i) formulate nomination policy for consideration by the Board and implement the nomination policy laid down by the Board;

(ii) identify and nominate candidates or make recommendations to the Board for its consideration or for it to make recommendations to the shareholders on the appointment or re-appointment of Directors. Sufficient biographical details of nominated candidates shall be provided to the Board and shareholders to enable them to make an informed decision;

(iii) review Board membership (including the structure, size and composition of the Board) at least annually, considering inter alia the length of service, the breadth of expertise, skills, knowledge and experience of the Board, and make recommendations to the Board on any proposed changes to complement the Company's corporate strategy;

(iv) assess the independence of independent non-executive Directors; and

(v) make recommendations to the Board on relevant matters relating to the succession planning for the Directors, in particular the Chairman of the Board and the chief executive.

Major accomplishments for the year ended 31 March 2016 comprised the following:

(i) recommended to the Board with respect to the retirement and re-election of Directors at the last annual general meeting held on 18 August 2015; and

(ii) recommended to the Board the appointment of Ms. Chan Lok Yin as the company secretary and authorised representative, Mr. Shang Yong as the Executive Director and Mr. Chong Ka Yee as the independent non-executive Director of the Company.

Remuneration Committee

The Remuneration Committee was formed on 23 March 2005. The majority of the Remuneration Committee consists of independent non-executive Directors and its members are:

Mr. Chan Sun Kwong *(independent non-executive director) (Chairman)*
Mr. Cheung Chi Mang *(executive director)*
Mr. Ko Kin Chung *(executive director)*
Mr. Liu Kam Lung *(independent non-executive director)*
Mr. Wu Shiming *(independent non-executive director)*

The Remuneration Committee is charged with the responsibility of making recommendations to the Board on the specific remuneration packages of all Directors and senior management, including benefits-in-kind, pension rights, and compensation payments. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Remuneration Committee takes into account of the performance of the Group as well as those individual Directors and key executives.

For the year ended 31 March 2016, four Remuneration Committee meetings were held and the members' attendance is shown on page 20 of this annual report.

The major role and function of the Remuneration Committee includes:

(i) recommend to the Board on the establishment of a formal and transparent procedure for developing remuneration policy which shall take into consideration salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group and implement the remuneration policy laid down by the Board;

(ii) recommend to the Board the policy and structure for all Directors and senior management remuneration whilst ensuring no Director or any of his associates is involved in deciding his own remuneration;

(iii) recommend to the Board on the remuneration packages of Directors, (including non-executive Directors) and senior management, including benefits in kind, pension rights, compensation payments (including compensation payable for loss or termination of their office or appointment). The Chairman and/or the chief executive of the Company shall be consulted about their remuneration proposals for other executive Directors;

(iv) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

(v) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

Major accomplishments for the year ended 31 March 2016 comprised the following:

(i) reviewed matters relating to the existing remuneration packages and emoluments of Directors and senior management; and

(ii) considered matters and recommended to the Board in relation to the remuneration arrangement of newly appointed company secretary and Directors.

Remuneration of Members of the Senior Management by Band

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration of members of the senior management by band for the year ended 31 March 2016 is set out below:

	Number of members of senior management
Nil to HKD1,000,000	2
Total	2

Details of the remuneration of each Director for the year ended 31 March 2016 are set out in note 8 to the consolidated financial statements.

Corporate Governance Committee

The Corporate Governance Committee was formed on 9 January 2012. The majority of the Corporate Governance Committee consists of independent non-executive Directors and its members are:

Mr. Cheung Chi Mang *(executive director) (Chairman)*
Mr. Ko Kin Chung *(executive director)*
Mr. Chan Sun Kwong *(independent non-executive director)*
Mr. Liu Kam Lung *(independent non-executive director)*
Mr. Wu Shiming *(independent non-executive director)*

The Corporate Governance Committee is charged with the responsibilities of, among others, (i) developing and reviewing the Company's corporate governance ("**CG**") vision, strategy, framework, principles and policies, and making relevant recommendations to the Board, and implementing the CG policies laid down by the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices to ensure compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the Corporate Governance Code of the Listing Rules and other related rules.

For the year ended 31 March 2016, two Corporate Governance Committee meetings were held for reviewing the corporate governance practices of the Group and approving the corporate governance report. The members' attendance is shown on page 20 of this annual report.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the Auditors that they bear the ultimate responsibility of preparing the financial statements of the Group.

Audit Committee

The Audit Committee was formed on 9 November 2001 to review and supervise the financial reporting process and internal control of the Company. The Audit Committee comprises three members, all of whom are independent non-executive Directors. The members are:

Mr. Chan Sun Kwong *(independent non-executive director) (Chairman)*
Mr. Liu Kam Lung *(independent non-executive director)*
Mr. Wu Shiming *(independent non-executive director)*

The Audit Committee is charged with the responsibilities of, among others, (i) making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (ii) reviewing with the Group's management and external auditor, the adequacy of the Group's policies and procedures regarding internal controls and risk management system; (iii) reviewing external auditor's independence, objectivity, effectiveness of the audit process and the scope of the external audit including the engagement letter; and (iv) reviewing the annual and interim reports.

For the year ended 31 March 2016, four Audit Committee meetings were held and the members' attendance is shown on page 20 of this annual report.

Major accomplishments for the year ended 31 March 2016 comprised the following:

(i) reviewed the audited results for the year ended 31 March 2015 and the unaudited interim results for the six months ended 30 September 2015;

(ii) considered and approved the term and remuneration for the appointment of Baker Tilly Hong Kong Limited as external auditors;

(iii) reviewed the continuing connected transactions of the Group;

(iv) reviewed the effectiveness of the risk management and internal control systems and the adequacy of the accounting, internal audit and financial reporting function of the Group; and

(v) revised the terms of reference of the Audit Committee.

The amount of audit fee for the year ended 31 March 2016 was HKD566,000. The amount of non-audit fees paid to the auditor of the Company for the year ended 31 March 2016 in relation to their review of the interim financial information and other assurance services were HKD295,000 which were classified as administrative expenses. The Audit Committee is of the view that the auditors' independence was not affected by the provision of these non-audit related services.

The Audit Committee has recommended to the Board that Baker Tilly Hong Kong Limited, a corporation of Certified Public Accountants, be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

INTERNAL CONTROLS

Management had implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information is provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

The Board is responsible to review the effectiveness of the internal control systems of the Group annually, such review should cover all material controls, including financial, operational and compliance controls and risk management functions. For the year under review, the Board, through the Audit Committee, had reviewed the effectiveness of the Company's internal control systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

COMPANY SECRETARY

Following Ms. Tham Kit Wan's resignation as Company Secretary, Ms. Chan Lok Yin, an external service provider, was appointed as the Company Secretary effective from 1 August 2015. The financial controller of the Company is the contact person of the external service provider.

Ms. Chan Lok Yin ("Ms. Chan"), aged 30, is an associate of Hong Kong Institute of Certified Public Accountants. Ms. Chan obtained a bachelor's degree of accounting from Edinburgh Napier University in United Kingdom in 2008. Ms. Chan has over 7 years of auditing, accounting, corporate governance and company secretarial experience. For the period from April 2008 to December 2011, Ms. Chan served in audit firms in Hong Kong with last position as an accountant. On 1 April 2012, she joined Megalogic Technology Holdings Limited ("**Megalogic**") (Stock Code: 8242) whose shares are listed on the Growth Enterprise Market of the Stock Exchange, and during the period from 1 April 2014 to 30 April 2016, she served as joint company secretary and authorised representative of Megalogic. Currently, Ms. Chan is also as a compliance officer of China Rise Securities Asset Management Company Limited, a subsidiary of Symphony Holdings Limited (Stock Code: 1223) whose shares are listed on the Main Board of the Stock Exchange.

Ms. Chan's appointment as Company Secretary took effect for less than a full financial year. From the date of her appointment on 1 August 2015 to the last practicable date before publication of the notice of the annual general meeting of the Company, she had taken more than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

As always, the Company strives to deliver timely and transparent information to its shareholders, the regulatory authorities and the public. Information on the Company together with reports as required under the Listing Rules is available on the Company's website: www.paktakintl.com.

Shareholders are given the opportunity to participate and vote in shareholders' meetings. According to Bye-law 58 of the Bye-Laws of the Company, shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall have the right to require a special general meeting to be called by the Board. For details of procedures for putting forward proposals or nominating director at general meetings, please refer to the information disclosed on the website of the Company.

During the year ended 31 March 2016, there had not been any changes in the Company's constitutional documents. The Bye-laws are available on the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG | 天職香港

Independent auditor's report to the members of
Pak Tak International Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pak Tak International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 77, which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 judgement, 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 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 financial position of the Group as at 31 March 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 29 June 2016
Choi Kwong Yu
Practising certificate number P05071

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Note	2016 HKD'000	2015 HKD'000
Turnover	3	**308,545**	366,353
Cost of sales		**(294,039)**	(342,915)
Gross profit		**14,506**	23,438
Gain on disposal of subsidiaries	4	**–**	9,438
Other revenue	5	**3,279**	2,970
Other net (loss)/gain	5	**(577)**	3,117
Administrative expenses		**(49,672)**	(31,740)
Selling expenses		**(10,443)**	(15,220)
Loss from operations		**(42,907)**	(7,997)
Finance costs	6(a)	**(453)**	(455)
Loss before taxation	6	**(43,360)**	(8,452)
Income tax credit	7	**3,659**	1,922
Loss for the year		**(39,701)**	(6,530)
Attributable to:			
Equity shareholders of the Company		**(39,701)**	(6,281)
Non-controlling interests		**–**	(249)
		(39,701)	(6,530)
		HK cents	*HK cents*
Loss per share			
– Basic and diluted	10	**(2.81)**	(0.44)

The notes on pages 34 to 77 form part of the consolidated financial statements.

For the year ended 31 March 2016

	Note	**2016** **HKD'000**	2015 HKD'000
Loss for the year		**(39,701)**	(6,530)
Other comprehensive loss for the year:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		**(2,239)**	(385)
– Reclassification adjustment for the cumulative exchange gain on translation of financial statements of overseas subsidiaries transferred to profit or loss upon disposal of subsidiaries, net of nil tax	4	**–**	(3,082)
Total comprehensive loss for the year		**(41,940)**	(9,997)
Attributable to:			
Equity shareholders of the Company		**(41,940)**	(9,645)
Non-controlling interests		**–**	(352)
		(41,940)	(9,997)

The notes on pages 34 to 77 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Note	2016 HKD'000	2015 HKD'000
Non-current assets			
Property, plant and equipment	12	**24,732**	28,525
Interests in leasehold land held for own use under operating leases	13	**–**	–
Investment properties	14	**–**	–
Interest in an associate	15	**–**	–
Deferred tax assets	22(a)	**6,030**	4,258
		30,762	32,783
Current assets			
Inventories	16	**28,984**	33,483
Trade receivables	17	**18,508**	30,679
Other receivables, prepayments and deposits		**2,745**	3,386
Cash and cash equivalents	18	**154,273**	153,901
		204,510	221,449
Current liabilities			
Trade payables	19	**8,476**	8,366
Other payables and accrued charges	20	**44,749**	27,318
Bank loans and overdraft	21	**27,648**	25,944
		80,873	61,628
Net current assets		**123,637**	159,821
Total assets less current liabilities		**154,399**	192,604
Non-current liabilities			
Deferred tax liabilities	22(a)	**–**	1,715
Provision and other accrued charges	23	**15,068**	15,108
		15,068	16,823
NET ASSETS		**139,331**	175,781
CAPITAL AND RESERVES			
Share capital	24(c)	**28,300**	28,300
Reserves		**111,031**	147,481
TOTAL EQUITY		**139,331**	175,781

Approved and authorised for issue by the board of directors on 29 June 2016.

Cheung Chi Mang
DIRECTOR

Ko Kin Chung
DIRECTOR

The notes on pages 34 to 77 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

		Attributable to equity shareholders of the Company								
		Share capital	Share premium	Warrant reserve	Special reserve	Exchange reserve	Retained profits	Total	Non-controlling Interests	Total equity
	Note	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
At 1 April 2014		28,300	41,308	–	32,680	3,712	79,426	185,426	(1,882)	183,544
Changes in equity for 2015:										
Loss for the year		–	–	–	–	–	(6,281)	(6,281)	(249)	(6,530)
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	–	–	(282)	–	(282)	(103)	(385)
Reclassification adjustment for the cumulative exchange gain on translation of financial statements of overseas subsidiaries transferred to profit or loss upon disposal of subsidiaries	*4*	–	–	–	–	(3,082)	–	(3,082)	–	(3,082)
Total comprehensive loss		–	–	–	–	(3,364)	(6,281)	(9,645)	(352)	(9,997)
Disposal of subsidiaries		–	–	–	(32,680)	–	32,680	–	2,234	2,234
At 31 March 2015		28,300	41,308	–	–	348	105,825	175,781	–	175,781
At 1 April 2015		**28,300**	**41,308**	**–**	**–**	**348**	**105,825**	**175,781**	**–**	**175,781**
Changes in equity for 2016:										
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(39,701)**	**(39,701)**	**–**	**(39,701)**
Exchange differences on translation of financial statements of overseas subsidiaries		**–**	**–**	**–**	**–**	**(2,239)**	**–**	**(2,239)**	**–**	**(2,239)**
Total comprehensive loss		**–**	**–**	**–**	**–**	**(2,239)**	**(39,701)**	**(41,940)**	**–**	**(41,940)**
Issue of warrants	*24(d)(ii)*	**–**	**–**	**5,490**	**–**	**–**	**–**	**5,490**	**–**	**5,490**
At 31 March 2016		**28,300**	**41,308**	**5,490**	**–**	**(1,891)**	**66,124**	**139,331**	**–**	**139,331**

The notes on pages 34 to 77 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HKD'000	2015 HKD'000
Operating activities			
Loss before taxation		**(43,360)**	(8,452)
Adjustments for:			
– Gain on disposal of subsidiaries	*4*	–	(9,438)
– Interest income from an associate	*5*	–	(28)
– Other interest income	*5*	**(98)**	(317)
– Gain on disposal of property, plant and equipment	*5*	**(231)**	(200)
– Reversal of impairment loss on amount due from an associate	*5*	–	(3,067)
– Finance costs	*6(a)*	**453**	455
– Provision for long service payments	*6(b)*	**13**	71
– Amortisation of interests in leasehold land held for own use under operating leases	*6(c)*	–	55
– Depreciation on property, plant and equipment	*6(c)*	**10,147**	14,334
– Depreciation on investment properties	*6(c)*	–	60
– Provision for inventories	*6(c)*	–	1,871
– Exchange realignment		**(1,060)**	(565)
Operating loss before changes in working capital		**(34,136)**	(5,221)
Decrease in inventories		**4,499**	9,534
Decrease/(increase) in trade receivables		**12,171**	(14,177)
Decrease in other receivables, prepayments and deposits		**641**	2,289
Decrease in amount due from an associate		–	681
Increase/(decrease) in trade payables		**110**	(5,949)
Increase in other payables and accrued charges		**17,431**	4,222
(Decrease)/increase in provision and other accrued charges		**(53)**	432
Cash generated from/(used in) operations		**663**	(8,189)
Hong Kong Profits Tax paid		–	(225)
Interest income from an associate		–	28
Other interest received		**98**	317
Net cash generated from/(used in) operating activities		**761**	(8,069)
Investing activities			
Net cash inflow arising on disposal of subsidiaries	*4*	–	107,902
Purchase of property, plant and equipment		**(7,443)**	(2,522)
Proceeds from disposal of property, plant and equipment		**232**	203
Net cash (used in)/generated from investing activities		**(7,211)**	105,583

	Note	2016 HKD'000	2015 HKD'000
Financing activities			
Proceeds from new bank loans		**80,206**	45,308
Repayment of bank loans		**(78,189)**	(56,174)
Interest paid		**(453)**	(455)
Net proceeds from issue of warrants	*24(d)(ii)*	**5,490**	–
Net cash generated from/(used in) financing activities		**7,054**	(11,321)
Net increase in cash and cash equivalents		**604**	86,193
Cash and cash equivalents at 1 April		**133,970**	47,782
Effect of foreign exchange rate changes		**81**	(5)
Cash and cash equivalents at 31 March	*18*	**134,655**	133,970

The notes on pages 34 to 77 form part of the consolidated financial statements.

1. COMPANY INFORMATION

Pak Tak International Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. On 4 March 2016, the principal office in Hong Kong was changed from Unit 1704, 17th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong to Unit 1807, 18th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture of and trading in knit-to-shape garments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements for year ended 31 March 2016 comprise the Company and its subsidiaries (together the "Group").

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and amended HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

A summary of significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 31.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- Annual Improvements to HKFRSs 2010 – 2012 Cycle
- Annual Improvements to HKFRSs 2011 – 2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to enquire the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

The Group has not applied any new or amended HKFRS that is not yet effective for the current accounting period (see note 34).

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2(n).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognsied.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(e) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 2(j)). The Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill *(Continued)*

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or group of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Freehold land	Nil
Leasehold land under finance leases	Over the remaining term of the relevant leases
Buildings	Over the shorter of the term of leases or 50 years
Leasehold improvements	Over the remaining term of the relevant leases
Plant and machinery	12.5% to 25%
Furniture, fixtures and equipment	10% to 30%
Motor vehicles	25%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)). Depreciation is provided to write off the cost of investment properties over their estimated useful lives using the straight line method.

Gain or loss arising from the retirement or disposal of an investment property, representing the difference between the net disposal proceeds and the carrying amount of the relevant asset, is recognised in profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under operating lease is amortised on a straight-line basis over the period of the relevant lease. Impairment losses are recognised in accordance with accounting policy set out in note 2(j)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investment in an associate accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).
- For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– interests in leasehold land held for own use under operating leases;

– investment properties; and

– investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) Employee benefits

(i) Employee benefits entitlements

Salaries, bonuses, paid annual leave and the cost of other benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Long service payments

The Group's obligation under long service payments recognised in the statement of financial position is determined using the projected unit credit method, with actuarial valuation being carried out at the end of each reporting period.

Past service cost is recognised immediately to the extent that the benefits have already been vested.

(iii) Pension obligations

The Group operates a mandatory provident fund scheme in Hong Kong and defined contribution government pension schemes in the People's Republic of China ("Mainland China").

Contributions to mandatory provident fund, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

The employees in the Mainland China are members of the retirement benefit scheme organised by the government in Mainland China. The Group is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Contributions to this retirement benefit scheme are recognised as an expense in profit or loss as incurred except to the extent that they are included in the cost of inventories at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

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

(ii) Sub-contracting income

Sub-contracting income is recognised when services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong Dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong Dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. TURNOVER

Turnover represents the amounts received and receivable for goods sold and sub-contracting services provided to outside customers during the year, net of discounts, and is analysed as follows:

	2016	2015
	HKD'000	*HKD'000*
Sales of goods	**307,589**	365,565
Sub-contracting income	**956**	788
	308,545	366,353

4. DISPOSAL OF SUBSIDIARIES

On 18 June 2014, the Company entered into an agreement with Mr. Cheng Kwai Chun, John ("Mr. Cheng"), the director and substantial shareholder of the Company at the prevailing time, for disposal of the Company's wholly-owned subsidiary, Addlink Limited, to Mr. Cheng (the "Disposal"). In preparation for the completion of the Disposal, a reorganisation had been undertaken such that, upon the completion of the Disposal, the Company together with its subsidiaries continues to engage in the manufacturing and trading of knit-to-shape garments, while the leasehold and freehold land and buildings and investment properties in Hong Kong, Mainland China and Thailand and the business of retailing of children's wear continue to be retained by Addlink Limited and its subsidiaries. Further details of the Disposal and the reorganisation were set out in the Company's circular dated 29 July 2014.

4. DISPOSAL OF SUBSIDIARIES *(Continued)*

The Disposal was completed on 19 September 2014. An analysis of the net assets of Addlink Limited and its subsidiaries (together the "Disposed Group") disposed of was as follows:

	HKD'000
Analysis of assets and liabilities disposed of:	
Property, plant and equipment	92,675
Interests in leasehold land held for own use under operating leases	4,347
Investment properties	8,139
Interest in an associate	–
Inventories	511
Trade receivables	42
Other receivables, prepayments and deposits	3,235
Tax recoverable	1,181
Cash and cash equivalents	4,322
Other payables and accrued charges	(2,364)
Amounts due to holders of non-controlling interests in a subsidiary	(3,487)
Deferred tax liabilities	(4,023)
Provision and other accrued charges	(944)
Non-controlling interests	2,234
Net assets disposed of	105,868
Gain on disposal of subsidiaries:	
Consideration received and receivable	113,734
Direct expenses in relation to the Disposal	(1,510)
	112,224
Net assets disposed of	(105,868)
Cumulative exchange gain in respect of the net assets of the Disposed Group reclassified from equity to profit or loss upon completion of the Disposal	3,082
Gain on disposal	9,438
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration received, net of direct expenses in relation to the Disposal	112,224
Cash and cash equivalents disposed of	(4,322)
	107,902

5. OTHER REVENUE AND OTHER NET (LOSS)/GAIN

	2016	2015
	HKD'000	*HKD'000*
Other revenue		
Discount received	**524**	144
Interest income from an associate	**–**	28
Other interest income	**98**	317
Reimbursement income	**687**	990
Rental income from investment properties	**–**	108
Sales of scrap and unused raw materials	**575**	38
Sundry	**1,395**	1,345
	3,279	2,970
Other net (loss)/gain		
Exchange loss, net	**(808)**	(150)
Gain on disposal of property, plant and equipment	**231**	200
Reversal of impairment loss on amount due from an associate	**–**	3,067
	(577)	3,117

6. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

		2016 HKD'000	2015 HKD'000
(a)	**Finance costs:**		
	Interest on bank loans and overdraft	**453**	455
(b)	**Staff costs:**		
	Salaries, wages and allowances	**88,147**	101,912
	Contributions to defined contribution retirement plans	**8,064**	6,700
	Staff welfare and benefits	**2,112**	2,304
	Provision for long service payments *(note 23(a))*	**13**	71
		98,336	110,987
(c)	**Other items:**		
	Auditors' remuneration	**861**	884
	Amortisation of interests in leasehold land held for own use under operating leases	**–**	55
	Cost of inventories sold *	**294,039**	342,915
	Depreciation on property, plant and equipment	**10,147**	14,334
	Depreciation on investment properties	**–**	60
	Legal and professional fees	**16,925**	1,320
	Operating lease charges: minimum lease payments – properties rentals	**5,864**	2,715
	Provision for inventories	**–**	1,871

* Cost of inventories includes HKD88,498,000 (2015: HKD105,696,000) relating to staff costs, depreciation and amortisation expenses, operating lease charges and provision for inventories, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2016 HKD'000	2015 HKD'000
Deferred tax		
Origination and reversal of temporary differences *(note 22(a))*	**(3,659)**	(1,922)
Income tax credit	**(3,659)**	(1,922)

No provision for Hong Kong Profits Tax has been made for both years as the subsidiaries in the Group either do not have assessable profits or have agreed tax losses brought forward in excess of any estimated assessable profits.

The subsidiaries in Mainland China are subject to a tax rate of 25% (2015: 25%). No provision for income tax has been made by these subsidiaries for both years as they either do not have assessable profits or have agreed tax losses brought forward in excess of any estimated assessable profits.

(b) Reconciliation between the income tax credit and accounting loss at the applicable tax rates:

	2016 HKD'000	2015 HKD'000
Loss before taxation	**(43,360)**	(8,452)
Notional tax on loss before taxation, calculated at the rates applicable to loss in jurisdictions concerned	**(7,488)**	(2,378)
Tax effect of expenses not deductible for tax purpose	**310**	518
Tax effect of income not taxable	**(5)**	(2,361)
Tax effect of utilisation of tax losses previously not recognised	**(161)**	–
Tax effect of tax losses not recognised	**4,396**	1,789
Others	**(711)**	510
Actual tax credit	**(3,659)**	(1,922)

8. DIRECTORS' REMUNERATION

	Directors' fees		Salaries, allowances and benefits in kind		Retirement scheme contributions		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*	***HKD'000***	*HKD'000*	***HKD'000***	*HKD'000*
Cheung Chi Mang *(appointed on 5 September 2014)*	**–**	–	**959**	349	**18**	9	**977**	358
Chan Sun Kwong *(appointed on 1 December 2014)*	**102**	32	**–**	–	**–**	–	**102**	32
Cheng Kwai Chun, John *(resigned on 1 December 2014)*	**–**	–	**–**	420	**–**	11	**–**	431
Chong Ka Yee *(appointed on 4 February 2016)*	**–**	–	**40**	–	**1**	–	**41**	–
Chow Chan Lum *(resigned on 1 April 2014)*	**–**	–	**–**	–	**–**	–	**–**	–
Ho Man Yee, Esther *(resigned on 24 September 2014)*	**–**	39	**–**	–	**–**	–	**–**	39
Ko Hay Yin, Karen *(resigned on 1 April 2014)*	**–**	–	**–**	–	**–**	–	**–**	–
Ko Kin Chung *(appointed on 1 December 2014)*	**–**	–	**540**	180	**18**	6	**558**	186
Law Fei Shing	**–**	–	**871**	871	**18**	18	**889**	889
Lew Victor Robert *(resigned on 5 September 2014)*	**–**	–	**–**	143	**–**	1	**–**	144
Lin Chick Kwan *(resigned on 24 September 2014)*	**–**	–	**–**	390	**–**	9	**–**	399
Lin Wing Chau *(resigned on 24 September 2014)*	**–**	–	**–**	390	**–**	9	**–**	399
Liu Kam Lung *(appointed on 24 September 2014)*	**102**	50	**–**	–	**–**	–	**102**	50
Lum Pak Sum *(appointed on 16 June 2014 and resigned on 1 December 2014)*	**–**	40	**–**	–	**–**	–	**–**	40
Shang Yong *(appointed on 4 February 2016)*	**–**	–	**60**	–	**2**	–	**62**	–
Wu Shiming *(appointed on 24 September 2014)*	**102**	50	**–**	–	**–**	–	**102**	50
Yuen Chi King, Wyman *(resigned on 24 September 2014)*	**–**	39	**–**	–	**–**	–	**–**	39
	306	250	**2,470**	2,743	**57**	63	**2,833**	3,056

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2015: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2015: three) individuals are as follows:

	2016	2015
	HKD'000	*HKD'000*
Salaries and other emoluments	**2,862**	2,329
Performance related incentive payments	**–**	160
Retirement scheme contributions	**54**	53
	2,916	2,542

The emoluments of the three (2015: three) individuals with the highest emoluments are within the following band:

	No. of individuals	
	2016	2015
HKDNil – HKD1,000,000	**2**	3
HKD1,000,001 – HKD2,000,000	**1**	–

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of HKD39,701,000 (2015: HKD6,281,000) and the weighted average number of 1,415,000,000 (2015: 1,415,000,000) ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 March 2016 and 2015 was same as the basic loss per share. The computation of diluted loss per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price for shares for the year ended 31 March 2016. For the year ended 31 March 2015, there was no potential dilutive ordinary shares in existence for the year.

11. SEGMENT REPORTING

The executive directors manage the Group's operations as a single business segment. The Group's operations are monitored and strategic decisions are made on the basis of operating results, consolidated assets and liabilities as reflected in the consolidated financial statements.

(a) Geographical information

The Group's revenue from external customers by geographical market is as follows:

	2016	2015
	HKD'000	*HKD'000*
United States of America ("USA")	**240,671**	292,266
Europe	**25,782**	32,080
Asia	**28,941**	30,210
Others	**13,151**	11,797
	308,545	366,353

The Group's information about its non-current assets by geographic location is as follows:

	2016	2015
	HKD'000	*HKD'000*
Mainland China	**18,120**	27,446
Hong Kong	**6,612**	1,079
	24,732	28,525

(b) Major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2016	2015
	HKD'000	*HKD'000*
Customer A	**71,505**	92,264
Customer B	**63,356**	79,373
Customer C	**63,952**	52,074
Customer D	**36,724**	58,232
Customer E	**43,854**	N/A[1]

1 The corresponding revenue in 2015 did not contribute 10% or more of the total revenue of the Group.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HKD'000*	Leasehold improvements *HKD'000*	Plant and machinery *HKD'000*	Furniture, fixtures and equipment *HKD'000*	Motor vehicles *HKD'000*	Total *HKD'000*
Cost						
At 1 April 2014	129,003	20,923	217,060	10,085	5,761	382,832
Exchange realignment	265	35	235	9	4	548
Additions	–	1,383	244	252	643	2,522
Disposal of subsidiaries	(129,268)	(18,452)	(33,225)	(1,045)	(1,657)	(183,647)
Disposals	–	–	(2,250)	(113)	(341)	(2,704)
At 31 March 2015	–	3,889	182,064	9,188	4,410	199,551
At 1 April 2015	–	3,889	182,064	9,188	4,410	199,551
Exchange realignment	–	(162)	(1,201)	(41)	–	(1,404)
Additions	–	1,033	37	487	5,886	7,443
Disposals	–	–	(2,022)	(84)	(1,072)	(3,178)
At 31 March 2016	–	4,760	178,878	9,550	9,224	202,412
Accumulated depreciation and impairment						
At 1 April 2014	47,193	8,278	180,608	8,906	4,970	249,955
Exchange realignment	128	33	236	9	4	410
Provided for the year	1,563	912	11,187	378	294	14,334
Eliminated on disposal of subsidiaries	(48,884)	(7,697)	(32,198)	(867)	(1,326)	(90,972)
Eliminated on disposals	–	–	(2,250)	(110)	(341)	(2,701)
At 31 March 2015	–	1,526	157,583	8,316	3,601	171,026
At 1 April 2015	–	1,526	157,583	8,316	3,601	171,026
Exchange realignment	–	(60)	(241)	(15)	–	(316)
Provided for the year	–	1,039	8,015	308	785	10,147
Eliminated on disposals	–	–	(2,022)	(83)	(1,072)	(3,177)
At 31 March 2016	–	2,505	163,335	8,526	3,314	177,680
Carrying amount						
At 31 March 2016	–	2,255	15,543	1,024	5,910	24,732
At 31 March 2015	–	2,363	24,481	872	809	28,525

13. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	2016	2015
	HKD'000	*HKD'000*
Cost		
At 1 April	–	5,865
Exchange realignment	–	34
Disposal of subsidiaries	–	(5,899)
At 31 March	–	–
Amortisation		
At 1 April	–	1,490
Exchange realignment	–	7
Provided for the year	–	55
Eliminated on disposal of subsidiaries	–	(1,552)
At 31 March	–	–
Carrying amount	–	–

14. INVESTMENT PROPERTIES

	2016	2015
	HKD'000	*HKD'000*
At cost		
At 1 April	–	8,421
Exchange realignment	–	32
Disposal of subsidiaries	–	(8,453)
At 31 March	–	–
Accumulated depreciation		
At 1 April	–	254
Provided for the year	–	60
Eliminated on disposal of subsidiaries	–	(314)
At 31 March	–	–
Carrying amount	–	–

15. ASSOCIATE

The equity interest in Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak (Kwong Tai)") was previously held by Addlink Limited. Following the disposal of Addlink Limited on 19 September 2014 (see note 4), Pak Tak (Kwong Tai) has ceased to be an associate of the Group.

16. INVENTORIES

	2016	2015
	HKD'000	*HKD'000*
Raw materials	**9,972**	10,977
Work in progress	**14,962**	18,646
Finished goods	**4,050**	3,860
	28,984	33,483

17. TRADE RECEIVABLES

	2016	2015
	HKD'000	*HKD'000*
Trade receivables	**18,508**	30,679
Less: Allowance for doubtful debts *(note 17(b))*	**–**	–
	18,508	30,679

All trade receivables are expected to be recovered within one year.

(a) Ageing analysis

The ageing analysis of trade receivables (net of allowance for doubtful debts) as of the end of the reporting period, based on invoice date, is as follows:

	2016	2015
	HKD'000	*HKD'000*
Within 1 month	**8,867**	9,191
1 to 3 months	**7,504**	20,563
3 to 12 months	**2,137**	925
	18,508	30,679

Trade receivables are due within 30 to 60 days from the date of billing. Further details on the Group's credit policy are set out in note 26(a).

17. TRADE RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(j)(i)).

The movements in the allowance for doubtful debts during the year are as follows:

	2016	2015
	HKD'000	*HKD'000*
At 1 April	**–**	396
Impairment loss recognised	**–**	–
Uncollectible amounts written off	**–**	(396)
At 31 March	**–**	–

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	HKD'000	*HKD'000*
Neither past due nor impaired	**10,387**	21,255
Less than 1 month past due	**5,162**	8,373
1 to 3 months past due	**839**	256
More than 3 months but less than 12 months past due	**2,120**	795
Amounts past due	**8,121**	9,424
	18,508	30,679

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

18. CASH AND CASH EQUIVALENTS

	2016	2015
	HKD'000	*HKD'000*
Cash and cash equivalents in the consolidated statement of financial position	**154,273**	153,901
Bank overdraft *(note 21)*	**(19,618)**	(19,931)
Cash and cash equivalents in the consolidated statement of cash flows	**134,655**	133,970

19. TRADE PAYABLES

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

	2016	2015
	HKD'000	*HKD'000*
Within 1 month	**4,699**	3,237
1 to 3 months	**2,393**	4,067
3 to 12 months	**1,380**	972
Over 12 months	**4**	90
	8,476	8,366

20. OTHER PAYABLES AND ACCRUED CHARGES

	2016	2015
	HKD'000	*HKD'000*
Accrued staff costs, welfare and benefits (including accrued directors' remunerations)	**28,294**	23,711
PRC sundry tax payables	**12**	1,960
Others (including professional fee payables)	**16,443**	1,647
	44,749	27,318

21. BANK LOANS AND OVERDRAFT

	2016	2015
	HKD'000	*HKD'000*
Bank loans	**8,030**	6,013
Bank overdraft *(note 18)*	**19,618**	19,931
	27,648	25,944

The maturity profile of bank loans and overdraft, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

	2016	2015
	HKD'000	*HKD'000*
Within 1 year	**27,648**	25,944
Less: Amount due within one year or repayable on demand classified as current liabilities	**(27,648)**	(25,944)
	–	–

At 31 March 2016, bank loans of HKD8,030,000 (2015: HKD6,013,000) were secured by corporate guarantee from the Company, legal charges on leasehold properties of companies controlled by and personal guarantees from Mr. Cheng. Bank overdraft of HKD19,618,000 (2015: HKD19,931,000) was secured by legal charge on certain assets of Mr. Cheng.

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised

	2016	2015
	HKD'000	*HKD'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**(6,030)**	(4,258)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	1,715
	(6,030)	(2,543)

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(a) Deferred tax assets and liabilities recognised *(Continued)*

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses *HKD'000*	Accelerated tax depreciation *HKD'000*	Other temporary differences *HKD'000*	Total *HKD'000*
At 1 April 2014	(12)	4,035	(612)	3,411
Effect of changes in exchange rate	–	–	(9)	(9)
Charged/(credited) to profit or loss *(note 7(a))*	1	(1)	(1,922)	(1,922)
Disposal of subsidiaries	11	(4,034)	–	(4,023)
At 1 April 2015	–	–	(2,543)	(2,543)
Effect of changes in exchange rate	–	–	172	172
(Credited)/charged to profit or loss *(note 7(a))*	(715)	715	(3,659)	(3,659)
At 31 March 2016	(715)	715	(6,030)	(6,030)

(b) Deferred tax assets not recognised

At 31 March 2016, the Group has unused tax losses of HKD60,679,000 (2015: HKD30,551,000). A deferred tax asset has been recognised in respect of HKD4,331,000 (2015: HKDNil) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of HKD56,348,000 (2015: HKD30,551,000) due to the unpredictability of future profit streams. Included in unrecognised are tax losses of HKD4,285,000 (2015: HKD5,145,000) that will expire within five years. Other losses may be carried forward indefinitely.

23. PROVISION AND OTHER ACCRUED CHARGES

	2016 ***HKD'000***	2015 *HKD'000*
Provision for long service payments *(note 23(a))*	**1,350**	1,390
Other accrued charges *(note 23(b))*	**13,718**	13,718
	15,068	15,108

23. PROVISION AND OTHER ACCRUED CHARGES *(Continued)*

(a) Provision for long service payments

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances.

Movements in the provision for long service payments during the year are as follows:

	2016 *HKD'000*	2015 *HKD'000*
At 1 April	**1,390**	1,319
Amount charged to profit or loss *(note 6(b))*	**13**	71
Benefit payments	**(53)**	–
At 31 March	**1,350**	1,390

(b) Other accrued charges

Other accrued charges represent liabilities in respect of staff welfare and benefits.

24. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital *HKD'000*	Share premium *HKD'000*	Warrant reserve *HKD'000*	Contributed surplus *HKD'000*	Accumulated losses *HKD'000*	Total *HKD'000*
At 1 April 2014	28,300	41,308	–	181,059	(69,470)	181,197
Changes in equity for 2015:						
Profit and total comprehensive income for the year	–	–	–	–	44,798	44,798
At 31 March 2015	28,300	41,308	–	181,059	(24,672)	225,995
At 1 April 2015	28,300	41,308	–	181,059	(24,672)	225,995
Changes in equity for 2016:						
Loss and total comprehensive expense for the year	–	–	–	–	(92,348)	(92,348)
Issue of warrants *(note 24(d)(ii))*	–	–	5,490	–	–	5,490
At 31 March 2016	28,300	41,308	5,490	181,059	(117,020)	139,137

24. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividend

The directors do not recommend the payment of any dividend for the year ended 31 March 2016 (2015: HKDnil).

(c) Share capital

Authorised and issued share capital

	2016 No. of shares *'000*	**2016** *HKD'000*	2015 No. of shares *'000*	2015 *HKD'000*
Authorised:				
At 1 April	**2,500,000**	**50,000**	500,000	50,000
Share subdivision	**–**	**–**	2,000,000	–
At 31 March	**2,500,000**	**50,000**	2,500,000	50,000
Ordinary shares, issued and fully paid:				
At 1 April	**1,415,000**	**28,300**	283,000	28,300
Share subdivision	**–**	**–**	1,132,000	–
At 31 March	**1,415,000**	**28,300**	1,415,000	28,300

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 7 April 2014, the Company sub-divided each of the existing and unissued shares of HKD0.1 each in the share capital of the Company into five shares of HKD0.02 each.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Bermuda Companies Act 1981 (as amended).

(ii) Warrant reserve

On 27 August 2015, the Company issued 283,000,000 unlisted warrants at HKD0.02 each to six independent third parties raising HKD5,490,000 in net. The warrants entitled the holders to subscribe for 283,000,000 ordinary shares of the Company at a subscription price of HKD3.00 each at any time during a period of 36 months commencing from the date of issue of the warrants. On 31 March 2016, the Company had 283,000,000 outstanding warrants. Exercise in full of such outstanding warrants would result in the issue of 283,000,000 additional ordinary shares.

24. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) Special reserve

The special reserve of the Group mainly represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the shares of the Company and Addlink Limited issued for the acquisition at the time of the group reorganisation in 2001 and the share premium of Addlink Limited arising from issue of shares of Addlink Limited in connection with the debt assignment.

Following the disposal of Addlink Limited on 19 September 2014 (see note 4), the balance of special reserve was transferred to retained profits.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 2(t).

(v) Contributed surplus

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time the reorganisation on 9 November 2001 and has been adjusted for the dividend declared from this reserve after 9 November 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a Company is available for distribution. However, the Company cannot declare or pay dividend, or make a distribution out of the contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than its liabilities.

(e) Distributability of reserves

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the end of the reporting period were:

	2016	2015
	HKD'000	*HKD'000*
Share premium	**41,308**	41,308
Contributed surplus	**181,059**	181,059
Accumulated losses	**(117,020)**	(24,672)
	105,347	197,695

24. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group regularly reviews its capital structure on the basis of a gearing ratio computed as total debt over shareholders' fund. For this purpose, the Group defines total debt as total borrowings (which include interest-bearing borrowings). Total shareholders' fund comprises all components of equity.

The gearing ratio as at 31 March 2016 and 2015 was as follows:

	2016	2015
	HKD'000	*HKD'000*
Current liabilities		
Interest-bearing borrowings	**27,648**	25,944
Total debt	**27,648**	25,944
Total shareholders' fund	**139,331**	175,781
Gearing ratio	**20%**	15%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a shareholders' resolution passed on 23 August 2011 for the primary purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme was adopted. Under the Scheme, the board of directors (the "Directors") may grant options to eligible employees of the Group, any executive and non-executive director (including independent non-executive director) of the Group and other eligible participants to subscribe for shares in the Company (the "Shares"), at a price to be determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. A nominal consideration of HKD1 is payable on acceptance of the grant of an option.

25. SHARE OPTION SCHEME *(Continued)*

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 118,201,000 shares of the Company, being 10% of the shares in issue on the date of approval of the Scheme by the shareholders of the Company.

Unless approved by shareholders of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options to be 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.

No options under the Scheme were granted or exercised during the years ended 31 March 2016 and 2015 and there were no outstanding options at 31 March 2016 and 2015.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents are normally placed at financial institutions that have sound credit rating.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 30 to 60 days from the date of billing. Debtors with balances over 90 days are monitored tightly and regularly. Normally, the Group does not obtain collateral from customers. Default risk of the industry and country are influenced on a lesser extent because most of the Group's customers mainly come from the USA with higher credit-ratings.

At 31 March 2016, the Group had a certain concentration of credit risk as 38% (2015: 68%) and 92% (2015: 91%) of the total trade receivables was due from one customer and five customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 17.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2016					2015				
	Carrying amount *HKD'000*	Total contractual undiscounted cash flow *HKD'000*	Within 1 year or on demand *HKD'000*	More than 1 year but less than 2 years *HKD'000*	More than 2 years *HKD'000*	Carrying amount *HKD'000*	Total contractual undiscounted cash flow *HKD'000*	Within 1 year or on demand *HKD'000*	More than 1 year but less than 2 years *HKD'000*	More than 2 years *HKD'000*
Trade payables	**8,476**	**8,476**	**8,476**	**–**	**–**	8,366	8,366	8,366	–	–
Other payables and accrued charges	**44,749**	**44,749**	**44,749**	**–**	**–**	27,318	27,318	27,318	–	–
Bank loans and overdraft +	**27,648**	**27,997**	**27,997**	**–**	**–**	25,944	26,298	26,298	–	–
Other accrued charges	**13,718**	**13,718**	**–**	**–**	**13,718**	13,718	13,718	–	–	13,718
	94,591	**94,940**	**81,222**	**–**	**13,718**	75,346	75,700	61,982	–	13,718

\+ Bank loans and overdraft with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits and bank loans and overdraft. Bank deposits and bank loans and overdraft issue at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The Group's interest rate profile as monitored by management is set out below:

	2016 Effective interest rate %	**2016** HKD'000	2015 Effective interest rate %	2015 HKD'000
Fixed rate deposits:				
Bank deposits	**0.4**	**6,203**	–	–
Variable rate deposits:				
Bank deposits	**0.03**	**141,052**	0.02	111,985
Variable rate borrowings:				
Bank loans and overdraft	**1.34**	**(27,648)**	1.22	(25,944)
Net exposure		**119,607**		86,041

(ii) Sensitivity analysis

At 31 March 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax by approximately HKD947,000 (2015: HKD718,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2015.

(d) Foreign currency risk

(i) Foreign currency transactions

The Group is exposed to currency risk primarily through sales and expense transactions that are denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily Renminbi and United States Dollars.

(ii) Recognised assets and liabilities

In respect of trade and other receivables and payables held in currencies other than the functional currency of the entity to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(iii) The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2016		2015	
	Renminbi	**United States Dollars**	Renminbi	United States Dollars
	'000	***'000***	*'000*	*'000*
Trade receivables	**–**	**2,301**	–	3,931
Other receivables, prepayments and deposits	**391**	**2**	273	37
Cash and cash equivalents	**412**	**1,331**	79	2,032
Trade payables	**(495)**	**(465)**	(605)	(580)
Other payables and accrued charges	**(26)**	**(42)**	–	(1)
Provision and other accrued charges	**(11,105)**	**–**	(11,105)	–
Net exposure arising from recognised assets and liabilities	**(10,823)**	**3,127**	(11,358)	5,419

(iv) *Sensitivity analysis*

The following table indicates the approximate change in the Group's loss after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2016		2015	
	Increase/ (decrease) in foreign exchange rate	**Effect on loss after tax**	Increase/ (decrease) in foreign exchange rate	Effect on loss after tax
		HKD'000		*HKD'000*
Renminbi	**5%**	**541**	5%	593
	(5%)	**(541)**	(5%)	(593)
United States Dollars	**5%**	**(1,012)**	5%	(1,753)
	(5%)	**1,012**	(5%)	1,753

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(iv) Sensitivity analysis (Continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates occurred at the end of the reporting period and applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong Dollar at the exchange rate ruling as at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2015.

(e) Categories of financial instruments

	2016	2015
	HKD'000	*HKD'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**174,400**	186,864
Financial liabilities		
Financial liabilities at amortised cost	**94,591**	75,346

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2016 and 2015.

27. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 March 2016 not provided for in the consolidated financial statements were as follows:

	2016	2015
	HKD'000	*HKD'000*
Contracted for		
– Acquisition of property, plant and equipment	**–**	612

27. COMMITMENTS *(Continued)*

(b) Operating lease commitments

At 31 March 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	HKD'000	*HKD'000*
Within 1 year	**6,811**	5,521
After 1 year but within 5 years	**11,773**	16,444
	18,584	21,965

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every 2 to 5 years to reflect market rentals. None of the leases includes contingent rentals.

28. FINANCIAL GUARANTEES ISSUED

At 31 March 2016, the Company had issued corporate guarantees amounting to HKD60 million (2015: HKD60 million) to banks in connection with facilities granted to a subsidiary.

The guarantees were issued by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39, Financial instruments: Recognition and measurement, had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

At 31 March 2016, the directors of the Company considered it is not probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued was the facilities drawn down by a subsidiary of HKD8 million (2015: HKD6 million).

29. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and the highest paid employees as disclosed in note 9, is as follows:

	2016	2015
	HKD'000	*HKD'000*
Salaries, allowances and other benefits	**5,638**	5,482
Contributions to defined contributions retirement plan	**111**	116
	5,749	5,598

Total remuneration is included in "Staff costs" (see note 6(b)).

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Financing arrangements

At 31 March 2016, certain general banking facilities totalling HKD80,000,000 (2015: HKD80,000,000) were secured by legal charges on leasehold properties of companies controlled by Mr. Cheng, legal charge on certain assets of Mr. Cheng and personal guarantees from Mr. Cheng. At 31 March 2016, these facilities were utilised by the Group to the extent of HKD27,648,000 (2015: HKD25,944,000).

During the year ended 31 March 2015, prior to completion of the Disposal, receivable due from an associate, Pak Tak (Kwong Tai) of HKD2,386,000 was assigned to Mr. Cheng at HKD2,386,000.

(c) Other related party transactions

In addition to the disposal of Addlink Limited as mentioned in note 4, the Group entered into the following material related party transactions during the year:

Name of related party	**Nature of transaction**	**2016** ***HKD'000***	2015 *HKD'000*
Companies in which Mr. Cheng has interests or significant influences	Sales of goods	**2,641**	792
	Rental and other income received	**301**	507
	Commission paid	**24**	32
	Overdue interest income	**9**	28
	Reversal of impairment loss on amount due from an associate	**–**	3,067
	License fee paid	**901**	478
	Rental expenses paid	**3,823**	2,037

Trade receivables at 31 March 2016 included amounts of HKD540,000 (2015: HKD242,000) due from the above related parties.

30. EVENT AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in these consolidated financial statements, there were no significant events after the end of the reporting period.

31. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

The Group management determines the estimated useful lives and related depreciation charge for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

31. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairments

In considering the impairment loss that may be required for certain property, plant and equipment and investments in subsidiaries, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. It is difficult to precisely estimate its fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the operating results in the year and in future years.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules in various jurisdictions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in respective tax legislation.

Deferred tax assets are recognised for tax losses not yet used and temporary deduction differences. As those deferred tax assets can only be recognised to the extent that it is probable that future profit will be available against which the unused tax credit can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised only if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Inventory provision

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in customers' performance, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

32. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2016 are as follows:

Name of subsidiary	Place of incorporation/ registration	Particular of issued and paid up capital	Proportion of ownership interest held by the Company				Principal activities
			2016		2015		
			Directly	**Indirectly**	Directly	Indirectly	
Ample Colour Investments Limited	British Virgin Islands	1 share of USD1 each	**100%**	**–**	100%	–	Investment holding
Grand Mark Worldwide Limited	Hong Kong	1 share of HKD1 each	**–**	**100%**	–	100%	Not yet commenced business
Markway International Group Holdings Limited	Hong Kong	1 share of HKD1 each	**–**	**100%**	–	100%	Provision of administrative services
Mega Grade Holdings Limited	British Virgin Islands	50,000 shares of USD1 each	**100%**	**–**	100%	–	Investment holding
Pak Tak Hong Kong Trading Limited	Hong Kong	10,000 shares of HKD1 each	**–**	**100%**	–	100%	Trading in knit-to-shape garments
Richtime Knitting Limited	Hong Kong	10,000 shares of HKD1 each	**–**	**100%**	–	100%	Trading in knit-to-shape garments and provision of administrative services
Shibo Global Holdings Limited	British Virgin Islands	1 share of USD1 each	**100%**	**–**	100%	–	Investment holding
百德針織製衣(東莞)有限公司#	Mainland China	HKD111,975,000	**–**	**100%**	–	100%	Manufacture of and trading in knit-to-shape garments

Wholly foreign owned enterprise

All subsidiaries operate principally in their respective places of incorporation or registration.

None of the subsidiaries had issued any debt securities at the end of the year.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015
	HKD'000	*HKD'000*
Non-current assets		
Investments in subsidiaries *(note 32)*	**388**	388
Current assets		
Other receivables, prepayments and deposits	**343**	58
Amounts due from subsidiaries	**142,428**	92,206
Cash and cash equivalents	**4,527**	135,390
	147,298	227,654
Current liabilities		
Accrued charges	**779**	750
Amounts due to subsidiaries	**7,770**	1,297
	8,549	2,047
Net current assets	**138,749**	225,607
NET ASSETS	**139,137**	225,995
CAPITAL AND RESERVES *(note 24(a))*		
Share capital	**28,300**	28,300
Reserves	**110,837**	197,695
TOTAL EQUITY	**139,137**	225,995

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2016 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012 – 2014 cycle	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 7, Disclosure initiative	1 January 2017
HKFRS 15, Revenue from contracts with customers	1 January 2018
HKFRS 9, Financial instruments (2014)	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2012 *HKD'000*	2013 *HKD'000*	2014 *HKD'000*	2015 *HKD'000*	**2016** ***HKD'000***
Turnover	397,048	400,863	427,870	366,353	**308,545**
Profit/(loss) from operations	14,343	6,788	(28,927)	(7,997)	**(42,907)**
Finance costs	(1,413)	(789)	(859)	(455)	**(453)**
Profit/(loss) before taxation	12,930	5,999	(29,786)	(8,452)	**(43,360)**
Income tax (expense)/credit	(3,291)	(3,436)	1,467	1,922	**3,659**
Profit/(loss) for the year	9,639	2,563	(28,319)	(6,530)	**(39,701)**
Attributable to:					
Equity shareholders of the Company	10,210	3,139	(27,795)	(6,281)	**(39,701)**
Non-controlling interests	(571)	(576)	(524)	(249)	**–**
	9,639	2,563	(28,319)	(6,530)	**(39,701)**

ASSETS AND LIABILITIES

	At 31 March				
	2012 *HKD'000*	2013 *HKD'000*	2014 *HKD'000*	2015 *HKD'000*	**2016** ***HKD'000***
Total assets	248,099	244,962	265,849	254,232	**235,272**
Total liabilities	(76,125)	(70,918)	(82,305)	(78,451)	**(95,941)**
Net assets	171,974	174,044	183,544	175,781	**139,331**
Equity attributable to equity shareholders of the Company	173,517	176,734	185,426	175,781	**139,331**
Non-controlling interests	(1,543)	(2,690)	(1,882)	–	**–**
Total equity	171,974	174,044	183,544	175,781	**139,331**