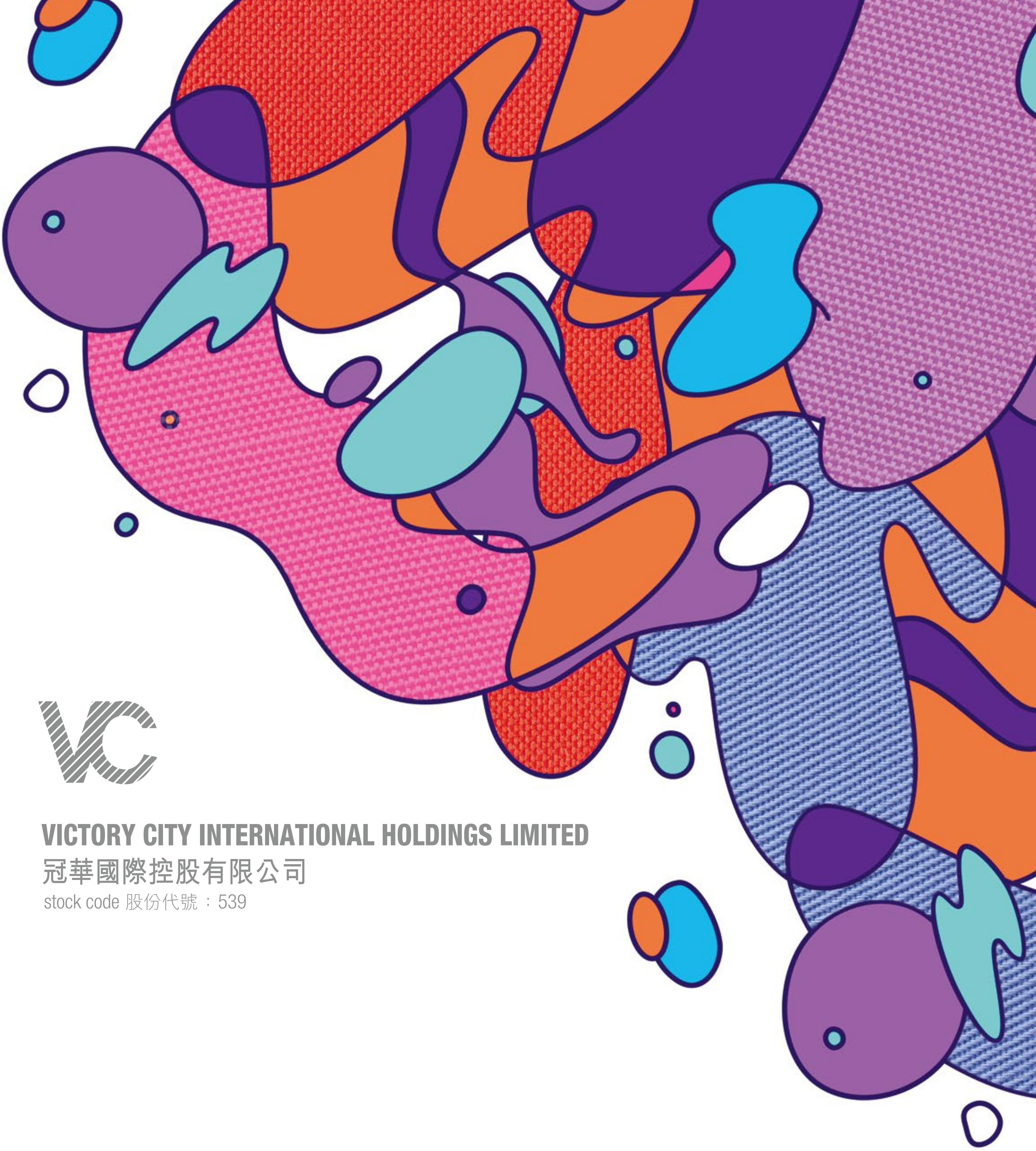

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司
stock code 股份代號 ： 539

Annual Report 2017 年報

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Hang Seng Bank Limited
Fubon Bank (Hong Kong) Limited
Rabobank International
Nanyang Commercial Bank, Limited
CTBC Bank Co., Ltd.
First Commercial Bank Limited
Industrial Bank Co., Ltd., Hong Kong Branch
China Construction Bank (Jiangmen Xinhui Sub-branch)
Bank of China (Jiangmen Xinhui Sub-branch)
E.Sun Commercial Bank, Ltd.
O-Bank Co., Ltd. Hong Kong Branch
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Wing Lung Bank Limited
Chiyu Banking Corporation Limited
Cathay United Bank Company, Limited
OCBC Wing Hang Bank Limited
Bank SinoPac Company Limited, Macau Branch

Corporate Information

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY WEBSITE

www.victorycity.com.hk

FINANCIAL HIGHLIGHTS AND SUMMARY

RESULTS

	Year ended 31 March				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	4,085,368	5,371,883	5,137,415	4,911,216	**4,939,904**
Profit before tax	231,327	293,019	544,772	282,400	**137,732**
Income tax expense	(23,512)	(10,841)	(28,372)	(32,880)	**(24,156)**
Profit for the year	207,815	282,178	516,400	249,520	**113,576**
Attributable to:					
Owners of the Company	205,767	277,389	400,459	241,811	**135,526**
Non-controlling interests	2,048	4,789	115,941	7,709	**(21,950)**
	207,815	282,178	516,400	249,520	**113,576**
Distributions	70,436	92,856	160,113	217,871	**27,722**

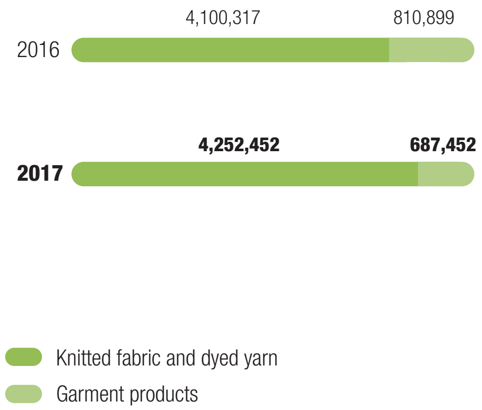
ASSETS AND LIABILITIES

	At 31 March				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Total assets	8,555,645	9,403,140	10,069,054	10,799,123	**11,925,166**
Total liabilities	(3,644,441)	(4,170,206)	(4,554,967)	(5,184,525)	**6,167,903**
	4,911,204	5,232,934	5,514,087	5,614,598	**5,757,263**
Equity attributable to:					
Owners of the Company	4,661,973	4,974,393	5,369,399	5,460,564	**5,700,109**
Non-controlling interests	249,231	258,541	144,688	154,034	**57,154**
	4,911,204	5,232,934	5,514,087	5,614,598	**5,757,263**

Financial Highlights and Summary

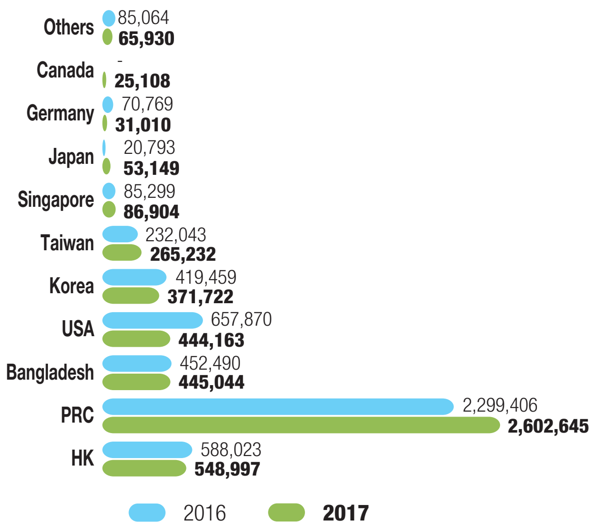
REVENUE BY BUSINESS SEGMENTS

HK$'000

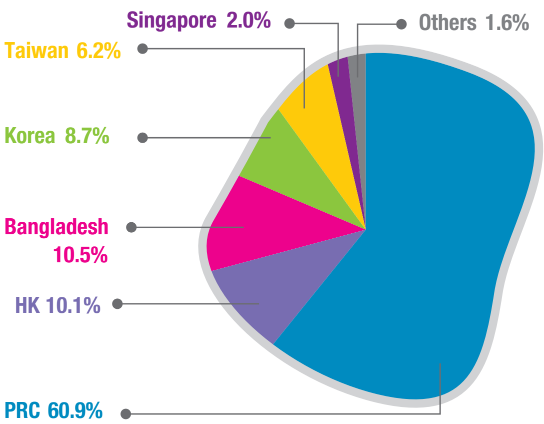


REVENUE BY GEOGRAPHICAL SEGMENTS

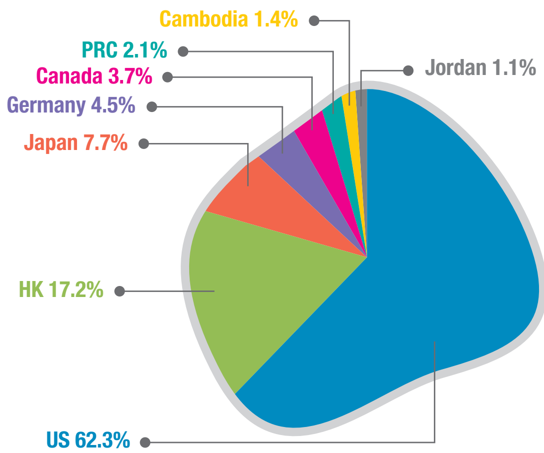
HK$'000



KNITTED FABRIC AND DYED YARN



GARMENT PRODUCTS



CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Victory City International Holdings Limited (the "Company") and its subsidiary companies (the "Group"), I am pleased to present the annual results for the year ended 31 March 2017.

DIVIDENDS

The Directors have resolved not to declare any final dividend for the year ended 31 March 2017 (2016: HK1.0 cent per share).

BUSINESS REVIEW

The financial year ended 31 March 2017 was challenging for the textile and garment industry as the global economy continued to be volatile and uncertain. During the first half of the reporting period, the worldwide consumer markets remained weak. The unfavourable market conditions together with the continuously surging production costs adversely affected the Group's performance. Fortunately, the recovery of the United States of America ("US") market, being the largest end-market of the Group, gradually became recognised and provided positive sentiments to the global economy since the second half of the financial year. With the dedicated efforts of the management and staff as well as the adjustable and flexible pricing strategy, the Group was capable of capturing the reviving orders in a timely manner, achieving satisfactory operating results for the financial year under review.

During the reporting period, the consolidated revenue of the Group amounted to approximately HK$4,940 million, remained at similar level as compared to the previous fiscal year (2016: HK$4,911 million). Gross profit was approximately HK$841 million, representing a decline of approximately 3.7% from the previous year (2016: HK$873 million). Profit attributable to owners of the Company for the reporting year amounted to approximately HK$136 million, which included net loss on fair value change of derivative financial instruments of approximately HK$127 million, share option expenses of approximately HK$21 million and gain on disposal of subsidiaries of approximately HK$20 million. For the previous fiscal year, profit attributable to owners of the Company was approximately HK$242 million, which included net loss on fair value change of derivative financial instruments of approximately HK$26 million and a one-off amortisation of bank arrangement fee of approximately HK$19 million. Hence, profit from core operation for the year ended 31 March 2017 was approximately HK$253 million after adjusting the above-mentioned non-operating gains and losses, representing a decrease of approximately 8.7% from the previous year (2016: HK$277 million). Basic earnings per share was HK4.5 cents (2016: HK11.9 cents).

Textile Business

For the year ended 31 March 2017, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 86% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK$4,253 million, representing an increase of approximately 3.7% from the previous year (2016: HK$4,100 million).

Chairman's Statement

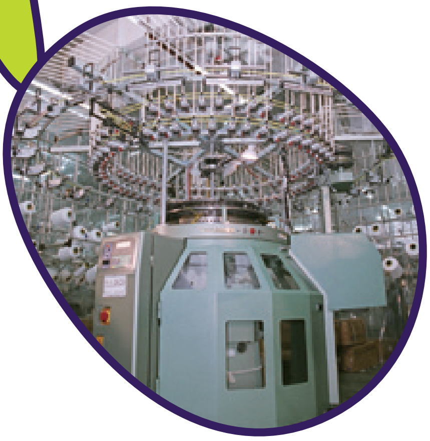
Despite the unstable world economy and difficult operating environment, the Group was capable of increasing the sales volume of its textile business. The increase was mainly contributed by strategically placing more effort and resources on established mass market clients and the flexible pricing policy of the Group. In addition, the Group's scale production capability, quality products and timely delivery have won customers' confidence in placing orders.

During the year under review, production cost of knitted fabric continued to increase rapidly. Cotton price and yarn price showed an upward trend, labour costs kept increasing like previously years and coal price surged sharply by over 40% year-on-year. Nevertheless, the Group was able to maintain the gross profit margin of the textile segment flat as compared to that of last year. With the help of the continuous adoption of advanced technology and automated machineries, coupled with proactive cost-saving measures, the Group managed to offset the rising pressure of operation costs. Furthermore, increase in production output through enhanced production capabilities led to economies of scale that effectively leveraged down the production overheads. Gross profit margin and net margin was approximately 17.2% and 6.2% respectively for the year ended 31 March 2017 for the textile segment (2016: 17.0% and 6.3%).

Garment Business

The apparel market encountered more challenges for the year ended 31 March 2017, due to slower global economic growth in 2016. According to the Economic Outlook published by the Organization for Economic Co-operation and Development (the "OECD") in June 2017, global real gross domestic product (GDP) growth was projected to be approximately 3% in the year ended 31 December 2016, the slowest pace since 2009, and that of the US, the destination of which accounted for over 60% of exports of the Group's garment segment, was approximately 1.6%. For the year under review, revenue of the garment business, accounting for approximately 14% of the Group's consolidated revenue, was approximately HK$687 million, with a decrease of approximately 15% from approximately HK$811 million in last year. The decrease was mainly attributable to the disposal (the "Disposal") of the Group's interest in RS International Holdings Limited ("RS Holdings") and its subsidiaries, which operate a garment factory in Jordan (the "Jordan Factory"), in August 2016 and had a turnover of approximately HK$407 million in the year ended 31 March 2016, and a turnover of approximately HK$184 million in the four months from April to July 2016 before completion of the Disposal. If the turnover from the Jordan Factory was excluded from both years, the turnover for the year ended 31 March 2017 was approximately HK$503 million, with an increase of approximately 25% from approximately HK$404 million for the year ended 31 March 2016.

Gross profit decreased to approximately HK$108 million this year from approximately HK$175 million for the year ended 31 March 2016, with gross profit margin lowered to approximately 15.7% from 21.6%. The decrease was mainly attributable to the Disposal upon which the Group ceased to account for orders of the Jordan Factory with higher margin.



There was a net loss of approximately HK$24.5 million after taking into account the net loss on fair value change of derivative financial instruments and net gain on the Disposal, comparing to a net profit of approximately HK$17.6 million for the year ended 31 March 2016. Other than the above, the net loss this year was attributable to the charging of non-recurring corporate expenses related to the contemplated spin-off of the garment manufacturing business (as announced in October 2015) of approximately HK$9.0 million. If the above non-operating expenses were excluded, there would be a net profit before tax of approximately HK$8.0 million for the year ended 31 March 2017.

Major Movements

Completion of placing of a total of 500,000,000 shares of the Company (the "Shares") with net proceeds of approximately HK$257 million

On 17 May 2016, the Group completed a share placing (the "Placing") of 500,000,000 Shares at placing price of HK$0.52 per Share. The total net proceeds amounted to approximately HK$257 million. The successful transaction reflected the market's confidence in the Group's business fundamentals and goals, and the net proceeds provided additional funding for the Group's existing fabric manufacturing business as well as the expansion of its synthetic fabric production facilities.

Completion of a rights issue of a total of 1,397,914,735 rights Shares with net proceeds of approximately HK$344.5 million

On 6 January 2017, the Company issued and allotted 1,397,914,735 ordinary Shares at a subscription price of HK$0.25 each, by way of rights issue (the "Rights Issue") in the proportion of one rights Share for every two Shares held on 9 December 2016. The net proceeds of approximately HK$344.5 million was intended to be used as general working capital of the Group and funding for expansion of its fabric manufacturing plants.

For details of the use of proceeds from the Placing and the Rights Issue, please refer to the announcement of the Company dated 25 April 2017 and the circular of the Company dated 13 June 2017.

PROSPECTS

Looking forward, it is expected that the global economy will continue to be unstable and the consumer markets will remain soft. The Directors strongly believe that with the Group's solid foundation, vertically-integrated set-up together with its environmental-conscious production facilities, the Group will maintain its sustainability and will be able to adapt rapidly to the changing and challenging operating conditions of the textile and garment industry.

With the withdrawal of the US from the Trans-Pacific Strategic Economic Partnership Agreement, the economic benefits to the signatories would be diminished. The Directors are in doubt of the preferential trading treatments that Vietnam could enjoy, therefore resolved to withhold the plan to develop fabric

manufacturing business in Vietnam. The Group will increase production capacity in its core manufacturing base in Xinhui, the People's Republic of China ("PRC"). More automated machineries and equipment will be installed. Besides, the Group will further invest in upgrading the wastewater treatment plant as well as modifying existing production facilities to accommodate the use of natural gas as environmental-protection and energy saving initiatives.

The Group continues to expand its synthetic fabric production in order to capture the growing market demands and provide value-added services to its customers. The Group intends to further such expansion by pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant to supplement its existing production facilities.

While the OECD's global and US real GDP growth projection resumed an upward trend in 2017 and 2018, there are opportunities lying ahead. The Group will continue to leverage on our capability in managing both in-house garment production bases in offshore locations and garment sub-contractors with comparative benefits such as lead time, labour costs, duty privilege, etc., in order to maintain long term growth and competiveness of the garment business.

While the year ahead will remain highly competitive, the Group will continue to redefine and enhance its business model to create the best platform for the future growth of the core businesses as well as to capitalise on any value-enhancing investment opportunities. The Group is well-positioned to face all challenges ahead and to bring the most satisfactory returns to the shareholders of the Company (the "Shareholders").

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication, hard work and contribution especially during such challenging period. In addition, I convey our cordial thanks to all of customers, suppliers, bankers, business partners and Shareholders for your continual support and confidence in the Group.

Li Ming Hung
Chairman

Hong Kong
28 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2017 amounted to approximately HK$4,940 million, remained at similar level as compared to last year. Revenue contributed by the textile segment was approximately HK$4,253 million, representing a slight increase of approximately 3.7% from the previous year, mainly attributable to the enhanced production capabilities through streamlining the production processes and automation of machineries. Revenue contributed by the garment segment was approximately HK$687 million, representing a decrease of approximately 15% from last year, mainly due to the disposal of the Group's garment production base in Jordan in August 2016.

Profit margins of the textile business remained flat as compared to that of last year. Deflation in Renminbi ("RMB") together with the benefits from economies of scales achieved by the increase in production output offset the increasing operating costs such as cotton yarn, wages and coal. On the other hand, the disposal of the Jordan factory resulted in the drop of gross profit margin of the garment business.

Other income mainly comprised interest income of approximately HK$35.0 million (2016: HK$50.6 million), sample and scrap sales of approximately HK$22.2 million (2016: HK$32.4 million) and rental income of approximately HK$26.7 million (2016: 25.4 million).

Other gains and losses mainly comprised the fair value changes of derivative financial instruments. For the year ended 31 March 2017, there was a net loss of approximately HK$127.2 million (2016: net loss of HK$26.2 million).

Equity-settled share-based payments of approximately HK$21.2 million was recorded in October 2016, representing the costs for granting share options to staff.

Finance costs increased from approximately HK$140.4 million in 2016 to approximately HK$143.0 million in 2017, mainly due to the increase in bank borrowings of the Group. The Group has used its best endeavour in obtaining favourable banking facilities with its bankers so as to reduce its finance costs.

Liquidity and Financial Resources

As at 31 March 2017, the Group had total assets of approximately HK$11,925 million (2016: HK$10,799 million) which were financed by current liabilities of approximately HK$3,789 million (2016: HK$2,581 million), long term liabilities of approximately HK$2,379 million (2016: HK$2,604 million) and shareholders' equity of approximately HK$5,700 million (2016: HK$5,461 million). The current ratio was approximately 2.1 (2016: 2.6) and the gearing ratio, being defined as net debt (representing by total bank borrowings net of cash and cash equivalents) to shareholders' funds, was approximately 39.8% (2016: 40.2%). All of the Group's borrowings were at floating rate basis.

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

Foreign Exchange and Interest Rate Risks

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

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

Capital Expenditure

During the year, the Group invested approximately HK$678 million on additions to property, plant and equipment.

As at 31 March 2017, the Group had capital commitments of approximately HK$12 million in respect of acquisition of new machinery and construction of new factory plants, which are financed by long-term bank borrowings.

Charges on Assets

As at 31 March 2017, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK$341 million (2016: HK$393 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 31 March 2017, the total number of employees of the Group was approximately 1,070 in Cambodia, approximately 1,220 in Indonesia, approximately 4,920 in the PRC and approximately 130 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

Major Customers and Suppliers

For the year under review, sales to the five largest customers of the Group accounted for approximately 16.0% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 5.2%.

Purchase from the five largest suppliers of the Group accounted for approximately 22.4% of the total purchases for the year and purchase from the largest supplier included therein accounted for approximately 5.3%.

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

Future Plans for Material Investments or Capital Assets

The Company plans to (i) acquire and upgrade the production facilities in Xinhui, the PRC; and (ii) pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant. The Company plans to fund the above expansion plan with the remaining net proceeds of the Placing completed on 17 May 2016, the Rights Issue completed on 6 January 2017 and the issue of convertible bonds as announced by the Company on 25 April 2017. For further details, please refer to the announcement of the Company dated 25 April 2017 and the circular of the Company dated 13 June 2017.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Ming Hung, aged 66, is the Chairman of the Company and a co-founder of the Group. He has over 40 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group. Mr. Li resigned from his position as a non-executive director of Highlight China IoT International Limited ("Highlight China", formerly known as Ford Glory Group Holdings Limited), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), on 16 August 2014.

Mr. Chen Tien Tui, aged 68, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 38 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group. Mr. Chen resigned from his position as a non-executive director of Highlight China on 16 August 2014. He resigned from his position as an independent non-executive director of China Lilang Limited, a company listed on the Main Board of the Stock Exchange, on 19 April 2016.

Mr. Lee Yuen Chiu Andy, aged 52, is an executive Director. He has over 31 years experience in the textile industry and is responsible for the overall management of the sales and production of the Group. Mr. Lee joined the Group in 1997.

Mr. Choi Lin Hung, aged 55, is an executive Director. He holds a Master in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr. Choi has over 9 years banking experience and 6 years management experience in garment and textile industry. Mr. Choi resigned from his positions as the chairman of the board, the chief executive officer and an executive director of Highlight China on 16 August 2014.

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 66, is an independent non-executive Director. Mr. Kan graduated from The University of Hong Kong and is a qualified accountant. He is an independent non-executive director of Eminence Enterprise Limited (formerly known as Easyknit Enterprises Holdings Limited), which is a company listed on the Main Board of the Stock Exchange. Mr. Kan has extensive experience in corporate finance, treasury and accounting and has over 30 years experience at management level in listed companies. Mr. Kan joined the Group in 1996.

Mr. Phaisalakani Vichai (Andy Hung), aged 69, is an independent non-executive Director. Mr. Phaisalakani graduated from Minnesota State University at Mankato, US and is a chartered professional accountant in Canada as well as a member of Hong Kong Institute of Certified Public Accountants ("HKICPA"). He has worked for an international accounting firm for 11 years and has

extensive experience in finance and corporate management with major electronics and garments corporations. Mr. Phaisalakani is an independent non-executive director of Eagle Ride Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange. He resigned from his position as a senior consultant of Walker Group Holdings Limited, a company listed on the Main Board of the Stock Exchange, in September 2015. Mr. Phaisalakani joined the Group in 1996.

Mr. Kwok Sze Chi, aged 62, is an independent non-executive Director. Mr. Kwok currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers Limited and a vice chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators Limited. Having served the securities industry for over 30 years, Mr. Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr. Kwok has been invited to appear on television and radio programmes to explain market trends and analyze stock market developments. He also provides professional investment analyses in newspapers and investment websites. Mr. Kwok resigned his position as an executive director of Bright Smart Securities & Commodities Group Limited, a company listed on the Main Board of the Stock Exchange, in February 2017. Mr. Kwok joined the Group in 2006.

SENIOR MANAGEMENT

Mr. Lee Chung Shing, aged 50, is the Financial Controller and Company Secretary of the Group. Mr. Lee is an associate member of the Chartered Institute of Management Accountants and an associate member of HKICPA. Mr. Lee joined the Group in 1998 and has over 28 years experience in the accounting and finance sector including an international accounting firm and a company listed on the Stock Exchange.

Mr. Ng Tsze Lun, aged 62, is the Marketing Director of Ford Glory International Limited ("FG International"). Mr. Ng joined the Group in 2001 and has over 40 years experience in garment manufacturing and sourcing areas. Mr. Ng is responsible for overseeing the daily operation and marketing of the garment segment.

Mr. Sy Wing Shuen, aged 63, is the Sales Manager of the Group. Mr. Sy has over 40 years experience in the textile industry and is responsible for the sales and marketing function of the Group. Mr. Sy joined the Group in 1999.

Mr. Chan Ling Kai, aged 44, is the General Manager of Champion Fortune Asia Limited. Mr. Chan joined the Group in 2003 and is responsible for the sales and marketing function of the yarn dyeing segment. Mr. Chan is the son of Mr. Chen Tien Tui, the Chief Executive Officer of the Company.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND PROSPECTS

For the business review and prospects of the Company, please refer to the paragraphs headed "Business Review" and "Prospects" in the section headed "Chairman's Statement" in this annual report respectively. This discussion forms part of this Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

For the principal risks and uncertainties facing the Group, please refer to the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report for further details. The Group is also subject to currency risk, interest rate risk, credit risk and liquidity risk, the details of which are set out in Note 39 to the consolidated financial statements of the Group. These discussions form part of this Directors' Report.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55. The Directors have resolved not to declare any final dividend for the year ended 31 March 2017.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$677,606,000 for the expansion of its business. Details of movements in the property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2017, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$1,385,155,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 30 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

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

Independent Non-executive Directors:

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

In accordance with bye-law 87(1) of the Company's Bye-laws (the "Bye-laws"), Mr. Chen Tien Tui, Mr. Kan Ka Hon and Mr. Phaisalakani Vichai will retire as Directors by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election. All other Directors will continue to be in office.

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" in this report and Note 37 to the consolidated financial statements, no transactions, arrangements or contracts of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 37 to the consolidated financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

MANAGEMENT CONTRACTS

For the year ended 31 March 2017, other than the service contracts of the Directors, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors or their respective close associates has any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2017 and up to the date of this report, the Company has in force permitted indemnity provisions for the benefit of the Directors.

CONNECTED TRANSACTIONS

Pursuant to Rule 14A.56 of the Listing Rules, the Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by HKICPA. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with the Listing Rules. The independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or better and according to the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole and within their respective annual cap amounts.

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

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

(ii) on normal commercial terms or better;

(iii) according to the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole; and

(iv) within their respective annual cap amounts.

In addition to the connected transactions as set out in Note 37 to the consolidated financial statements, certain subsidiaries of the Group had transactions with subsidiaries of Ford Glory Holdings Limited ("FG Holdings"), which is in turn indirectly owned as to 51% by the Company and 49% by Merlotte Enterprise Limited ("Merlotte"), a company wholly-owned by Mr. Choi Lin Hung, an executive Director. These transactions are also disclosed as connected transactions in accordance with the requirements of the Listing Rules as follows:

	2017	2016
	HK$'000	HK$'000
Sale of fabric	**40,978**	44,296
Sale of dyed yarn	**—**	871

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors independent despite the fact that each of them has served as an independent non-executive Director for more than nine years.

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

As at 31 March 2017, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares	Interest in underlying shares of share options	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
			(Note 1)	(Note 1)	
Li Ming Hung	The Company	Founder of a trust	642,732,000 Shares (L) (Note 2)	–	15.33% (Note 18)
	The Company	Beneficial owner	–	1,257,720 Shares (L) (Note 4)	0.03%
	Victory City Company Limited (Note 16)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited ("VC Overseas") (Note 16)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
Chen Tien Tui	The Company	Founder of a trust	642,732,000 Shares (L) (Note 3)	–	15.33% (Note 18)
	The Company	Beneficial owner	3,375,000 Shares (L)	–	0.08%
	The Company	Beneficial owner	–	1,257,720 Shares (L) (Note 4)	0.03%
	Victory City Company Limited (Note 16)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	VC Overseas (Note 16)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
Choi Lin Hung	The Company	Beneficial owner	12,750,000 Shares (L)	–	0.30%
	The Company	Beneficial owner	–	28,298,700 Shares (L) (Note 5)	0.67%
	VC Overseas (Note 16)	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.2%
	Sure Strategy Limited ("Sure Strategy") (Note 16)	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (Note 6)	–	49%
	FG Holdings (Note 16)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 7)	–	100%
	FG International (Note 16)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (Note 15)	–	100%
	福源創業信息咨詢服務（深圳）有限公司 (Note 16)	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) (Note 8)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	福之源貿易（上海）有限公司 (Note 16)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 8)	–	100%
	Rocwide Limited (Note 16)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 15)	–	100%
	Jiangmen V-Apparel Manufacturing Ltd. (Note 16)	Interest of controlled corporation	Registered capital of HK$31,260,000 (L) (Note 9)	–	100%
	Surefaith Limited (Note 16)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 15)	–	100%
	PT. Victory Apparel Semarang (Note 16)	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) (Note 10)	–	100%
	One Sino Limited (Note 16)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 15)	–	100%
	Ford Glory (Cambodia) Manufacturing Limited (Note 16)	Interest of controlled corporation	Registered capital of US$1,000,000 (L) (Note 11)	–	100%
	Happy Noble Holdings Limited (Note 16)	Interest of controlled corporation	70 ordinary shares of US$1.00 each (L) (Note 15)	–	70%
	Sky Winner Investment Limited (Note 16)	Interest of controlled corporation	100 ordinary shares of HK$1.00 each (L) (Note 12)	–	100%
	藝田貿易（上海）有限公司 (Note 16)	Interest of controlled corporation	Registered capital of HK$5,000,000 (L) (Note 13)	–	100%
	Mayer Apparel Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) (Note 15)	–	51%
	Talent Partner Holdings Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of US$1.00 each (L) (Note 15)	–	51%
	Green Expert Global Limited (Note 16)	Interest of controlled corporation	1 ordinary share of US$1.00 each (L) (Note 14)	–	100%
	Major Time Limited (Note 16)	Interest of controlled corporation	1 ordinary share of HK$1.00 each (L) (Note 14)	–	100%
	Brilliant Fashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 15)	–	100%
	Gojifashion Inc. (Note 17)	Interest of controlled corporation	100 common shares of no par value (L) (Note 15)	–	50%
	Just Perfect Holdings Limited (Note 16)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 15)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 16)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 15)	–	100%
Lee Yuen Chiu Andy	The Company	Beneficial owner	–	5,240,500 Shares (L) (Note 5)	0.12%
Phaisalakani Vichai	The Company	Beneficial owner	1,236,000 Shares (L)	–	0.03%

Notes:

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

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

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

4. On 2 April 2012, each of Mr. Li Ming Hung and Mr. Chen Tien Tui was granted 1,200,000 options under the share option scheme of the Company to subscribe for 1,200,000 Shares, exercisable at a price of HK$0.782 per Share during a period from 2 April 2012 to 1 April 2017. Upon completion of the Rights Issue, the number of options owned by each of Mr. Li Ming Hung and Mr. Chen Tien Tui was adjusted to 1,257,720 to subscribe for 1,257,720 Shares, exercisable at an adjusted price of HK$0.746 per Share during a period from 2 April 2012 to 1 April 2017.

5. On 2 April 2012, each of Mr. Choi Lin Hung and Mr. Lee Yuen Chiu Andy was granted 12,000,000 and 5,000,000 options respectively under the share option scheme of the Company to subscribe for 12,000,000 Shares and 5,000,000 Shares respectively, exercisable at a price of HK$0.782 per Share during a period from 2 April 2012 to 1 April 2017. Upon completion of the Rights Issue, the number of options owned by each of Mr. Choi Lin Hung and Mr. Lee Yuen Chiu Andy was adjusted to 12,577,200 and 5,240,500 respectively to subscribe for 12,577,200 Shares and 5,240,500 Shares, exercisable at an adjusted price of HK$0.746 per Share during a period from 2 April 2012 to 1 April 2017.

   On 12 October 2016, Mr. Choi Lin Hung was granted 15,000,000 options under the share option scheme of the Company to subscribe for 15,000,000 Shares, exercisable at a price of HK$0.391 per Share during a period from 12 October 2016 to 11 October 2021. Upon completion of the Rights Issue, the number of options owned by Mr. Choi Lin Hung was adjusted to 15,721,500 to subscribe for 15,721,500 Shares, exercisable at an adjusted price of HK$0.373 per Share during a period from 12 October 2016 to 11 October 2021.

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

7. These shares were held by Sure Strategy.

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

9. This registered capital was beneficially owned as to 40% by FG Holdings and as to 60% by Rocwide Limited.

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

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

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

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

14. This ordinary share was beneficially owned by Talent Partner Holdings Limited.

15. These shares or these common shares or this quota capital, as the case may be, was/were beneficially owned by FG Holdings.

16. These companies are subsidiaries of the Company.

17. Although Gojifashion Inc. is not a subsidiary of the Company, it is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

18. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately held over 30% of the voting share capital of the Company, which complied with the condition of a syndicated loan borrowed by the Group.

Save as disclosed above in this report, as at 31 March 2017, none of the Directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 31 March 2017, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person/entity	**Number of Shares** (Note 1)	**Capacity**	**Approximate % of interest**
Pearl Garden	642,732,000 (L)	Beneficial owner (Note 2)	15.33%
Cornice	642,732,000 (L)	Interest of controlled corporation (Note 2)	15.33%
Madian Star	642,732,000 (L)	Beneficial owner (Note 3)	15.33%
Yonice	642,732,000 (L)	Interest of controlled corporation (Note 3)	15.33%
Fiducia Suisse SA	1,285,464,000 (L)	Trustee (Notes 2 & 3)	30.66%
David Henry Christopher Hill	1,285,464,000 (L)	Interest of controlled corporation (Note 6)	30.66%
Rebecca Ann Hill	1,285,464,000 (L)	Interest of spouse (Note 7)	30.66%
Ho Yuen Mui Shirley	643,989,720 (L)	Interest of spouse (Note 4)	15.36%
Or Kwai Ying	647,364,720 (L)	Interest of spouse (Note 5)	15.44%

Notes:

1. The letter "L" represents the person's or entity's interests in the Shares and underlying shares.
2. These Shares were held by Pearl Garden. Pearl Garden is wholly-owned by Cornice, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members. Mr. Chen Tien Tui is a director of Pearl Garden and Cornice.
3. These Shares were held by Madian Star. Madian Star is wholly-owned by Yonice, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members. Mr. Li Ming Hung is a director of Madian Star and Yonice.
4. Ms. Ho Yuen Mui Shirley is the wife of Mr. Li Ming Hung.
5. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.
6. These Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members and Mr. Chen Tien Tui's family members. Fiducia Suisse SA is wholly-owned by Mr. David Henry Christopher Hill.
7. Ms. Rebecca Ann Hill is the wife of Mr. David Henry Christopher Hill.

Save as disclosed above, so far as is known to the Directors, as at 31 March 2017, there was no person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

ISSUE FOR CASH OF EQUITY SECURITIES

The Company completed the Placing under specific mandate and the Rights Issue on 17 May 2016 and 6 January 2017 respectively, the details of which are as follows:

Date of announcement/ circular	Event	Net proceeds and net price (approximate)	Intended use of proceeds as announced	Actual use of proceeds
21 March 2016, 13 April 2016. 29 April 2016 and 17 May 2016	Placing of new shares under specific mandate	HK$257 million and HK$0.51 per Share	Approximately 50% of the net proceeds for the expansion of the Group's existing fabric manufacturing facilities in the PRC and the remaining approximately 50% for the planned expansion of the Group to establish new production facilities for fabric manufacturing in Vietnam	Approximately HK$128.5 million had been used for the expansion of the Group's existing fabric manufacturing facilities in the PRC and the remaining HK$128.5 million will be used together with the net proceeds of the Rights Issue of the Company completed on 6 January 2017 and the issue of convertible bonds announced by the Company on 25 April 2017. The proceeds will be used for (i) acquisition and upgrading the production facilities in Xinhui, the PRC; (ii) pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant; and (iii) as general working capital of the Group. Please refer to the announcement of the Company dated 25 April 2017 for the change of use of proceeds.
8 November 2016, 12 December 2016 and 5 January 2017	Rights Issue	HK$344.5 million and HK$0.246 per Share	For the establishment of new production facilities for fabric manufacturing in Vietnam and further expansion of the Group's synthetic fabric production by pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant	The proceeds will be used for (i) acquisition and upgrading the production facilities in Xinhui, the PRC; (ii) pursuing appropriate acquisition opportunities in Taiwan and/or the PRC through acquiring technology or production plant; and (iii) as general working capital of the Group. Please refer to the announcement of the Company dated 25 April 2017 for the change of use of proceeds.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, in respect of the placing of new shares under specific mandate above, the Shares had been placed to not less than six placees (being professional, institutional or other private investors).

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

EMOLUMENT POLICY

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

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

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings in the Shares.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. To the best of our knowledge, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES

The Group recognises the importance of environmental sustainability against modern ecological challenges. As a responsible corporate citizen, the Group has been actively taking steps to minimise the negative environmental impacts, reduce wastage and maximise energy efficiency which in turn provides a green and eco-friendly environment to the community.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate on-the-job training and providing opportunities within the Group for career advancement.

Customers

The Group is committed to offering high-quality products and services to customers. It values the opinions and feedback of all customers through various means and channels, including the usage of telephone, direct mail and after-sale return visit.

In addition, the Group continues to proactively manage customer relations, expand its customer base and enhance customer loyalty.

Suppliers

The Group establishes working relationships with suppliers to meet customers' needs in an effective and efficient manner. The Group's requirements and standards are well-communicated to suppliers before placing orders in order to ensure the deliverance of high-quality raw materials. All key suppliers have a close and long term relationship with the Group.

AUDITOR

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

EVENTS AFTER THE REPORTING PERIOD

On 25 April 2017, the Company entered into a subscription agreement with Pearl Garden and Madian Star, both are Shareholders, as subscribers in relation to, among others, the issue of the convertible bonds (the "Convertible Bonds") in an aggregate principal amount of HK$400,000,000 due on the date falling 24 months after the date of issuance of the Convertible Bonds. The issuance of the Convertible Bonds is subject to the fulfillment or waiver (as the case may be) of a number of conditions. Please refer to the announcement of the Company dated 25 April 2017 and the circular of the Company dated 13 June 2017 for further information.

On behalf of the Board

Li Ming Hung
Chairman

Hong Kong
28 June 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles as set out in the CG Code and regularly reviews its corporate governance practices to ensure compliance with the CG Code. The Company has complied with all the Code Provisions as set out in the CG Code for the year ended 31 March 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Upon receiving specific enquiries from the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2017.

BOARD OF DIRECTORS

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

The biographical details of the Directors are set out on pages 13 to 14 of this annual report.

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

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

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

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

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the Directors has full access to relevant information at the meetings. The Board had four regular Board meetings during the year ended 31 March 2017 and conducted the following activities:

(a) approved the interim and final results, interim and annual report, and matters to be considered at the AGM;

(b) reviewed and approved corporate strategies of the Group for the financial year ending 31 March 2018;

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

(d) reviewed the continuing connected transactions; and

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

Corporate governance functions

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

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

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

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

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

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

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

Chairman and Chief Executive

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

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

Terms of Appointment of Independent Non-executive Directors

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

During the year under review, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each of the three independent non-executive Directors has made an annual confirmation of independence to the Company. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent despite the fact that each of them has served as an independent non-executive Director for more than nine years and that they all meet the specific independence guideline as set out in Rule 3.13 of the Listing Rules.

BOARD COMMITTEES

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

Nomination Committee

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

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

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

One meeting of the Nomination Committee was held during the year ended 31 March 2017 to make recommendations on the re-election of Mr. Lee Yuen Chiu Andy, Mr. Choi Lin Hung and Mr. Kwok Sze Chi as Directors proposed for Shareholders' approval in the last AGM held on 17 August 2016.

Board Diversity Policy

The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. On 29 August 2013, the Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company aims to achieve diversity of its board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional and industry experience. The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make relevant recommendations on changes to the Board to complement the Company's corporate strategy.

Remuneration Committee

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

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

Pursuant to Code Provision B.1.5, the remuneration of the members of the senior management by band for the year ended 31 March 2017 is set out below:

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

The details of the members of senior management of the Company are set out on page 14 of this annual report.

No Director takes part in any discussions and decisions about his own remuneration. During the year ended 31 March 2017, the Remuneration Committee has convened one meeting to review the salary of the employees of the Company and its subsidiaries and the executive Directors.

Audit Committee

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

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

During the year ended 31 March 2017, the Audit Committee held two meetings and performed duties summarised below:

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

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

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

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

(e) review the effectiveness of internal audit functions.

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at regular Board meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM"), Nomination Committee Meeting ("NCM"), AGM held during the year ended 31 March 2017 and the Special General Meetings held on 29 April 2016, 3 October 2016 and 1 March 2017 ("SGM") are set out below:

	Number of meetings attended/held during the year ended 31 March 2017					
	BM	**ACM**	**RCM**	**NCM**	**AGM**	**SGM**
Executive Directors						
Mr. Li Ming Hung *(Chairman)*	4/4	—	1/1	1/1	1/1	3/3
Mr. Chen Tien Tui *(Chief Executive Officer)*	4/4	—	1/1	—	1/1	3/3
Mr. Lee Yuen Chiu Andy	4/4	—	—	—	1/1	3/3
Mr. Choi Lin Hung	4/4	—	—	—	1/1	3/3
Independent Non-executive Directors						
Mr. Kan Ka Hon	4/4	2/2	1/1	1/1	1/1	3/3
Mr. Phaisalakani Vichai	4/4	2/2	1/1	1/1	1/1	3/3
Mr. Kwok Sze Chi	4/4	2/2	1/1	—	1/1	3/3

INTERNAL CONTROL

The Board is responsible for maintaining the internal control systems of the Group and for reviewing its effectiveness. The Audit Committee shall review on the effectiveness of the Group's internal control systems and report to the Board on such reviews. Management will continue to follow up with actions agreed upon in response to the recommendations. During the year ended 31 March 2017, the Board conducted an annual review of the Group's internal control systems, including financial, operational and compliance controls and risk management functions.

Highlights of the Group's risk management and internal control systems include the following:

(a) code of conduct — The Company's code of conduct explicitly communicates to each employee its values, acceptable criteria for decision-making and its ground rules for behaviour;

(b) process to identify and manage significant risks and material internal control defects — Significant risks or internal control defects identified by the management during the ordinary business operation of the Group will be reported to the Board as soon as practicable for further evaluating and management. A Board meeting will be held to conduct review and evaluation on the significant risks or internal control defects and appropriate actions will be taken to control the risks or to improve the internal control defects. For the year ended 31 March 2017, no significant risks, or material internal control failings or weaknesses have been identified by the Board or the management;

(c) internal audit functions — The internal audit functions of the Group have been performed by the collaboration of the Board's office, finance department, human resources department and administration office by regular financial and operational review and recommending necessary actions to the management. The works carried out by the aforesaid departments of the Company ensure the risk management and internal control measures are in place and function properly as intended. The results of the internal audit and reviews are reported to the executive Directors and the Audit Committee; and

(d) compliance with the Listing Rules and relevant laws and regulations — The Group will continue to monitor its compliance with relevant laws and regulations and continue to arrange for various trainings to be provided by its legal advisers or other professional parties to the Directors and management on the Listing Rules, applicable laws and regulations, etc..

The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems and the internal audit functions for the year ended 31 March 2017. The Board considers that such systems and functions are effective and adequate.

The Group has adopted a policy of information disclosure which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosures and responding to enquiries. The policy is to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

(a) restrict access to inside information to a limited number of employees on a need-to-know basis;

(b) remind employees who are in possession of inside information to be fully conversant with their obligations to preserve the confidentiality;

(c) ensure appropriate confidentiality agreements are in place when the Company enters into significant negotiations or dealings with third party(ies); and

(d) inside information is handled and communicated by designated persons.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

	Self-study of materials
Executive Directors	
Mr. Li Ming Hung *(Chairman)*	√
Mr. Chen Tien Tui *(Chief Executive Officer)*	√
Mr. Lee Yuen Chiu Andy	√
Mr. Choi Lin Hung	√
Independent Non-executive Directors	
Mr. Kan Ka Hon	√
Mr. Phaisalakani Vichai	√
Mr. Kwok Sze Chi	√

COMPANY SECRETARY

The company secretary of the Company is Mr. Lee Chung Shing and is employed by the Company on a full-time basis.

According to Rule 3.29 of the Listing Rule, Mr. Lee Chung Shing has taken no less than 15 hours of the relevant professional training during the year ended 31 March 2017.

AUDITOR'S REMUNERATION

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

Audit services of approximately HK$3,080,000 for the Group;

Non-audit services of approximately HK$3,750,000 including:

— review of interim results;

— taxation services for the Group;

— agreed-upon procedures on the Group's continuing connected transactions;

— agreed-upon procedures on the Group's annual results announcement; and

— reporting accountant work on the contemplated spin-off of the garment manufacturing business.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2017, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHAREHOLDERS' RIGHTS

Convening a special general meeting on requisition

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

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

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

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

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

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

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

Procedures for raising enquiries

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

Tricor Secretaries Limited

Address:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2861 1465

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

Address:	Unit D, 3rd Floor, Winfield Industrial Building, 3 Kin Kwan Street, Tuen Mun, New Territories, Hong Kong
Email:	info@victorycity.com.hk
Tel:	(852) 2462 3807
Fax:	(852) 2456 3216
Attention:	Company Secretary

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

Procedures for putting forward proposals at general meeting

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

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

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

   (b) not less than one hundred Shareholders.

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

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

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

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

INVESTOR RELATIONS

There was no change in the Company's constitutional documents during the year ended 31 March 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a responsible corporate citizen, the Company has been actively supporting social sustainability. The Group has prepared this environmental, social and governance report (the "ESG Report") in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange to allow stakeholders to gain an understanding of the Group's environmental, social and governance ("ESG") policies, management approach and performance.

Since most of the Group's production and operational activities are conducted within the plant in Xinhui, the PRC, this ESG Report presents the environmental and social performance and measures of the production facility for the period between 1 April 2016 and 31 March 2017.

To understand the stakeholders' expectations, the Group has asked for their opinions through a variety of channels. Prior to the preparation of this report, the Group and its business units have identified the environmental and social issues relating to the Group, and assessed their importance to the businesses and the stakeholders. The following table summarises those ESG issues that are material to the Group and described in this report:

Reference in the ESG Guide	Key ESG Issues
A. Environmental	
A1. Emissions	• Waste treatment and carbon emissions
A2. Use of Resources	• Use of energy, water and packaging material
A3. Environment and Natural Resources	• Environmental impact management
B. Social	
B1. Employment	• Policies relating to employee treatment and equal opportunity
B2. Health and Safety	• Occupational health and safety
B3. Development and Training	• Staff development and training
B4. Labour Standards	• Prevention of child and forced labour
B5. Supply Chain Management	• Environmental management of the supply chain
B6. Product Responsibility	• Product and service quality, customer service and privacy protection
B7. Anti-corruption	• Anti-bribery and anti-corruption
B8. Community Investment	• Social welfare

A. ENVIRONMENTAL

A1 Emissions

Taking on its corporate responsibility for social sustainability, the Group has high regard for environmental protection and has implemented effective measures to reduce emissions. In view of the tightening national environmental standards, the Group has invested in and installed air emission treatment facilities for its power plant and heat transfer boilers. Environmental-friendly low-sulphur coal is used to reduce sulphur dioxide emissions at source. Biochemical wastewater treatment and reverse osmosis systems are installed in the production facilities to treat, recycle and reuse wastewater, thereby reducing the amount of effluents. Other effluents also go through biochemical treatment to meet national emission standards.

In order to effectively manage and monitor the emissions of its production facilities, the Group has installed the latest online emission and effluent monitoring equipment to carry out real-time monitoring of emissions and effluents from its boilers and wastewater treatment plant. Technicians work shifts to conduct round-the-clock analysis of the real-time emission and effluent data and take timely measures to eliminate non-compliant discharge. An environmental protection profile has been set up to record pollutant discharge, operational and management data of the pollution control facilities, pollution incidents and other situation and information about pollution prevention.

In respect of waste treatment, the Group has implemented multiple measures to reduce waste at source. It also raises the environmental awareness of its staff by conducting regular environmental campaigns and training. Specific storage areas are designated for the separation and temporary storage of different kinds of non-hazardous and hazardous waste. The Group reuses and recycles non-hazardous waste whenever possible while engaging qualified waste collectors to handle other non-hazardous waste that cannot be reused and recycled, as well as its hazardous waste.

After proactively adopting high-efficiency, low-input, low-consumption and low-emission clean production technique in 2008, the Group achieved a win-win situation with the society as evidenced by the status as a "clean production enterprise in Guangdong Province (廣東省清潔生產企業)" in 2010 and the certification of ISO14001 Environmental Management System in January 2011. The Group was not aware of any significant breach of any environmental laws and regulations during the reporting period.

Atmospheric emissions

Boilers of the power plants are the major source of the Group's atmospheric emissions. The Group stringently complies with national environmental standards and compiles real-time emission data.

To reduce emissions, the Group invested over RMB20 million in the construction of a wet desulfurisation and electrostatic precipitation system (濕法脱硫及濕電除塵系統) in 2015. With this system, sulphur dioxide in exhaust is removed by spraying alkaline wastewater from the dyeing process, while smoke particles in exhaust are removed by electrostatic field and alternating electric field in order to achieve a steady emission below 20mg/Nm^3.

The Group's thermoelectric boilers use quality coal with low ash content and low sulphur content of below 0.6% with the aim of further reducing sulphur dioxide emission.

Wastewater

The textile industry uses water to conduct dyeing, cleaning and other processes. As textile dyeing wastewater contains chemicals, the Group has constructed wastewater treatment plant to handle its wastewater. It also strictly prohibits the direct discharge of wastewater into its surrounding environment so as to ensure its compliance with national environmental standards.

A reverse osmosis reclaimed water reuse system with a daily wastewater treatment capacity of 30,000 tonnes has been in use since its completion in 2007. Up to 80% of the wastewater after treatment can be reused directly in the production process. The condensed wastewater passed through the reverse osmosis process is discharged after going through biochemical treatment and meeting relevant discharge standards under the Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (《紡織染整工業水污染排放標準》). The whole wastewater treatment plant has passed inspection and acceptance of qualified environmental protection facilities. It has been linked to the online automatic monitoring system of the Jiangmen Environmental Protection Bureau (江門環保局) and is under regular maintenance. The Group also switched to energy-saving dyeing vessels between 2013 and 2015 in order to further reduce the amount of water used and discharged in the dyeing process.

Greenhouse gas emissions

Greenhouse gas emissions of the Group mainly come from coal used by its boilers of the power plants as well as diesel used by its machines.

The Group has a comprehensive energy management system in place to formulate plans to save energy and improve production efficiency each year. For further details, please refer to the section headed "Use of Energy" below.

Hazardous waste

To effectively identify and handle hazardous waste, all business units have specified certain areas for the separation, identification and storage of such waste. Hazardous waste is collected and centralised by the material department after reaching a certain amount. The names, specifications and amounts of waste transferred as well as the time of the transfer are recorded in detail in our collection data. Designated staff members are responsible for the collection of solid waste, maintenance of the storage areas and the prevention of spillage of such solid waste inside the plant. Collected hazardous waste is stored in special warehouses for hazardous goods and regularly collected by waste collectors with the relevant hazardous material handling qualifications. The Group enters into contracts with these qualified waste collectors and reports these engagements to the local environmental protection bureau every year.

Non-hazardous waste

The major types of non-hazardous waste of the Group are office waste and miscellaneous production waste.

The Group has laid down stringent control and approval procedures for the use of materials by each department. Various measures are implemented to prevent waste, such as recycling, reusing and reducing waste generated from the daily operation. Waste sorting bins are placed in the plant so as to sort, store, collect and handle all waste.

A2 Use of Resources

Under a comprehensive energy management system, Energy Purchasing and Approval Management Policy (《能源採購和審批管理制度》), Energy Financial Management Policy (《能源財務管理制度》), Energy Production Management Policy (《能源生產管理制度》), Energy Statistics Measurement Policy (《能源計量統計制度》), Energy Measuring Instrument Management Policy (《能源計量器具管理制度》) and other energy management policies and measures are established and implemented by professional energy management departments and functions. An energy-saving steering committee meets regularly to analyse, discuss and supervise the energy-saving measures of each department and coordinate inter-department collaboration with the aim of reducing energy consumption and waste. To raise the energy-saving awareness of its staff, the Group also vigorously promotes its energy-saving and consumption-reducing initiatives, and praises and awards business units and individuals who have outstanding energy-saving results, in its internal publications and noticeboards. It also encourages innovation and conducts research into energy-saving technologies with a view to enhancing production efficiency, lowering consumption of resources and curbing production waste with new techniques, new materials and new equipment.

Use of energy

The Group's energy usage is audited annually by an energy auditing and certification firm, which summarises the energy-saving results of the past year and formulates practicable energy-saving goals and plans for the coming year.

The Group has drawn up production equipment operation guides and periodical maintenance systems to achieve smooth operation of all environmental protection facilities during the production process and thus less energy wastage.

With the aim of cutting energy consumption in its daily operation, the Group has poured good money into new environmental protection facilities as follows:

- Acquired environmental-friendly jet dyeing machines (噴染色機) to replace existing conventional high-temperature overflow dyeing machines (溢流高溫染色機), and reconstructed and upgraded all dyeing and finishing equipment, thereby cutting the use of steam, water and electricity; and

- Substituted relatively energy-efficient natural gas circulation air heating system (天然氣循環風加熱系統) for the existing thermally conductive oil circulation air heating system (導熱油循環風加熱系統) to reduce the waste of energy during energy transfer.

Use of water

To use less water, the Group completed an in-depth wastewater treatment and reclaimed water reuse system in 2007. Through a network of pipelines, domestic sewage and production effluents are transported to wastewater regulation basins, which regulate the water quality and amount by primary sedimentation. The wastewater then flows to the wastewater treatment plant for further treatment. Subsequently, treated wastewater enters the reclaimed water reuse system, which brings the quality of the reclaimed water to a level suitable for dyeing and reuse in the production process through reverse osmosis treatment. This reclaimed water reuse system can handle 30,000 tonnes of wastewater each day with a water reuse rate up to 80%. In addition, the Group regularly engages professionals to inspect covered pipelines in order to prevent leakage due to broken pipelines. It also organises water-saving campaigns to raise water-saving awareness among the entire staff.

Use of packaging materials

During the financial year, the major packaging material used by the Group was plastic bag. To reduce the use of plastic bags, we have improved our packaging process.

A3 Environment and Natural Resources

The Group has been actively minimising the impacts of its operational activities on the environment and natural resources. It takes the importance of environmental protection into consideration during its growth. The management believes that in the long run, environmental protection benefits our stakeholders as well as the society as a whole. Furthermore, environmental protection is the basis and foundation of our long-term corporate development. The Group has set up special divisions for tracking and managing, among other matters, the environmental impacts and energy consumption of its activities. By vigorously containing the impacts of its operational activities on the environment and natural resources and strictly complying with national environmental protection regulations, the Group has obtained ISO14001 Environmental Management System and clean production management certifications.

Major sources of the Group's environmental impacts are effluents from the dyeing process and emissions from its boilers. These pollutants are handled by our treatment facilities and discharged in compliance with emission standards. Save as the environmental impact described above, the Group was not aware of any other significant impacts on the environment and natural resources.

B. SOCIAL

B1 Employment

The Group is committed to people-oriented management and pays regard to the legal rights of its staff. A staff handbook (《員工手冊》) is compiled in accordance with the Labour Law (《勞動法》) and relevant laws and regulations of China. This handbook covers structures and systems of recruitment, execution and termination of labour contracts, appraisal, rest periods, dismissal, wages and compensation, insurance and benefits, incentive mechanism and other aspects. All structure and systems are legally devised and implemented under the supervision and agreement of staff representatives.

The Group strives for and nurtures professional talent. To build up its pool of talent, the Group maintains long-term talent exchange and cooperation programmes with some nearby universities. Through different mechanisms, the Group provides its staff with, among other things, equal and fair promotion opportunities, satisfactory wages, salaries and benefits, appropriate working hours and rest periods, comprehensive social security, and colourful leisure activities. As such, the job satisfaction, sense of belonging, motivation and work-life balance of its staff are enhanced.

All staff members of the Group enjoy equal opportunities. There is no toleration for any kind of discrimination. Staff members are not treated unequally by their colleagues due to their personal particulars, such as gender, pregnancy, marital status, disability or ethnicity. They all enjoy equal opportunities and fair treatment in terms of recruitment, re-designation, hiring, training, promotion, discipline, remuneration and benefits.

The Group was not aware of any significant breach of any employment laws and regulations during the reporting period.

B2 Health and Safety

The Group treasures the health and safety of its staff and emphasises workplace management. To do so, the management has formulated production safety standards and established production safety management systems to strive for a safe and healthy working environment for its staff.

The Group organises body check for its staff every year, and further engages a qualified centre for disease prevention and control to conduct occupational health check-up on staff members in certain specialised position. This centre is also used to carry out occupational health inspections in respect of, among other things, ash and dust, noise, benzene, toluene, xylene, acetic acid and ethyl acetate in the relevant workplaces so as to safeguard the health of all staff.

To uphold the workplace safety of its staff, the Group provides necessary workplace safety gears to its staff in accordance with national labour safety laws and regulations. Regular safety training and first-aid, fire, evacuation, spillage and desertion drills are organised to enhance the production safety knowledge and awareness of the staff, and thus reduce the number of safety incidents.

The Group was not aware of any significant breach of any labour health and safety laws and regulations during the reporting period.

B3 Development and Training

The Group offers comprehensive training to help its staff perform their duties and enhance their knowledge and skills. Each department formulates its own detailed training plans at the beginning of each year and carries out induction and practical on-the-job training that combines theories and practicability according to these plans. Such training covers a wide range of topics, ranging from operational systems, occupational safety, ethics, operational skills and environmental protection to duties and authorities. At the same time, the departments nurture new staff members with a mentorship scheme. The Group believes that with such training, the staff can have their questions answered, perform their duties in a practical manner, enhance their professional knowledge and practical skills, and apply these knowledge and skills to their job.

B4 Labour Standards

The Group strictly follows the Labour Law of China and installs identity card readers in accordance with the requirements of local law enforcement agencies. All new staff members are subject to identity verification to prevent the employment of people with false identity cards or under the age of 18. The Group's recruitment process involves multiple approval procedures. A labour contract is entered into with each new staff member to eliminate illegal and forced labour.

The Group was not aware of any significant breach of any laws and regulations against child or forced labour during the reporting period.

B5 Supply Chain Management

The Group is always committed to low-carbon, environmental-friendly and green purchasing practices. There are stringent purchasing systems and control procedures in place to lay down tight environmental requirements for the provision of products by all suppliers. They prohibit the procurement of materials with substance restricted by the government or harmful to the environment and health. In addition, the Group regularly conducts rigorous examination and assessment against all suppliers. Failed suppliers are disqualified. Only those passing such examination and assessment continue to be on the list and engaged. Meanwhile, the Group gives priority to energy-saving materials to achieve better environmental standards provided that they are environmental-friendly, resource-saving, energy-saving, safe and healthy.

B6 Product Responsibility

The Group places high importance on product quality and safety. All products are produced and inspected according to relevant international standards. The Group has not recalled any product for safety and health reasons.

The Group has meticulous quality assurance systems and procedures in place. The whole production process, spanning from raw materials to finished products, is monitored by various quality control departments. To ensure product quality, every production procedure is supervised by designated staff at multiple monitoring levels.

Being responsible to its customers, the Group has established a product grievance mechanism to handle customers' complaints in a compatible way when they are not satisfied with the products. The Group does not deceit, mislead or defraud its customers, and stands fast on customer and consumer rights, health and safety. It duly protects all information and documents of the parties involved from unauthorised disclosure. All documents are only used for mutually-agreed business purposes.

The Group was not aware of any significant breach of any laws and regulations in relation to product and service quality during the reporting period.

B7 Anti-corruption

The Group's staff handbook sets out code of conduct for the staff and expressly requires them to uphold good work ethic. All new staff members must go through induction training to help them understand the Group's expectations of work ethic and the details set out in the staff handbook. On the job, they are provided with occasional departmental anti-bribery training so as to enhance their knowledge of work ethic.

The Group has also established a whistle-blowing system comprising a report box and hotline through which everyone can report any activities that are unethical or detrimental to the Group's interests. The department involved conducts investigation and gathers evidence while keeping the details of the report and the identity of the whistle-blower in secret. Substantiated unlawful activities are reported directly to law enforcement agencies. The Group regularly reviews the effectiveness of internal controls to prevent bribery, money laundering and other unethical activities.

The Group was not aware of any significant breach of any laws and regulations in relation to the prevention of bribery, extortion, fraud and money laundering during the reporting period.

B8 Community Investment

The Group always emphasises its social responsibilities. It actively participates in many charitable services to support underprivileged groups and contribute to the community. Every year, the Group enthusiastically answers local governments' calls for donations and voluntary services to assist with disaster relief, the building of green and ecological environment and support for stricken groups. In addition, the Group formulates annual plans to support local communities through diversified means and channels according to their practical needs and its available resources.

The Group donates to communities in money and in kind, encourages its staff to organise voluntary services and offers scholarships to local schools by various channels and means. It also makes donations to major social causes such as natural disaster relief and maintenance of community facilities.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Victory City International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 128, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
We identified the impairment of trade receivables as a key audit matter due to its significance to the consolidated statement of financial position and the significant degree of management judgment involved in impairment assessment. Referring to Note 4 to the consolidated financial statements, the carrying amount of trade receivables amounted to approximately HK$1,707 million, net of allowance for doubtful debts amounting to approximately HK$6 million recognised as at 31 March 2017. Management assessed impairment of trade receivables based on evaluation of the ultimate realisation of these receivables by considering the aging of the trade receivable balances, the repayment history, the financial conditions and current creditworthiness of each customer.	Our procedures in relation to assessing the sufficiency of the impairment of trade receivables estimated by management included: • Understanding how management assessed the impairment of trade receivables and the approval procedures for recognising the impairment loss; • Testing the accuracy of the aged analysis of trade receivables, on a sample basis; • For the trade receivables with subsequent settlement, tracing the subsequent settlement to sales invoices and bank records, on a sample basis; and • For the trade receivables without significant subsequent settlement, assessing the reasonableness of management's assessment on the impairment of trade receivables with reference to the aging of the trade receivable balances, the repayment history, the financial conditions and current creditworthiness of the customers, on a sample basis.

Key audit matter	How our audit addressed the key audit matter
Valuation of structured foreign currency forward contracts	
We identified the valuation of structured foreign currency forward contracts as a key audit matter due to its significance to the consolidated financial statements and the significant degree of management judgment involved in measuring the fair values of these contracts. Referring to Note 39(c) to the consolidated financial statements, the fair values of the financial liability in relation to structured foreign currency forward contracts as at 31 March 2017 amounted to approximately HK$151 million and a fair value loss of approximately HK$127 million was recognised in the profit or loss during the year. Referring to Note 4 to the consolidated financial statements, the valuation of these contracts was carried out by an independent professional valuer engaged by the Group (the "Valuer") using Monte Carlo Simulation Model, a valuation technique which involved key inputs and assumptions including spot exchange rates, strike rates, risk-free rate, time to maturity and volatility.	Our procedures in relation to assessing the valuation of structured foreign currency forward contracts included: • Understanding how the fair values of the structured foreign currency forward contracts were estimated by management, including the involvement of the Valuer; • Evaluating the competence, capabilities and objectivity of the Valuer; • Working with our valuation experts to assess the reasonableness of the valuation technique, key inputs and assumptions used in the valuation including spot exchange rates, strike rates, risk-free rate, time to maturity and volatility in assessing the fair values of a selection of structured foreign currency forward contracts; and • Working with our valuation experts to reperform the valuation of a selection of structured foreign currency forward contracts using Monte Carlo Simulation Model.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ip Chiu Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**4,939,904**	4,911,216
Cost of sales		**(4,098,471)**	(4,038,277)
Gross profit		**841,433**	872,939
Other income		**88,749**	122,554
Other gains and losses	7	**(127,458)**	(38,658)
Distribution and selling expenses		**(106,326)**	(101,198)
General and administrative expenses		**(414,251)**	(432,840)
Equity-settled share-based payments	32	**(21,246)**	—
Finance costs	8	**(143,019)**	(140,397)
Gain on disposal of subsidiaries	31	**19,850**	—
Profit before taxation		**137,732**	282,400
Income tax expense	9	**(24,156)**	(32,880)
Profit for the year	10	**113,576**	249,520
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(505,809)**	(311,851)
Fair value change of an available-for-sale investment		**320**	(48)
Reclassification of translation reserve upon disposal of subsidiaries		**9**	—
		(505,480)	(311,899)
Item that will not be subsequently reclassified to profit or loss:			
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		**4,789**	6,320
Other comprehensive expense for the year		**(500,691)**	(305,579)
Total comprehensive expense for the year		**(387,115)**	(56,059)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**135,526**	241,811
Non-controlling interests		**(21,950)**	7,709
		113,576	249,520
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(365,311)**	(65,405)
Non-controlling interests		**(21,804)**	9,346
		(387,115)	(56,059)
Earnings per share	12		
Basic		**HK4.5 cents**	HK11.9 cents
Diluted		**HK4.5 cents**	HK11.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	13	3,693,182	3,530,629
Prepaid lease payments	14	188,018	193,322
Investment properties	15	154,656	164,657
Goodwill	16	6,185	6,614
Intangible asset	17	—	—
Interest in a joint venture	18	—	—
Restricted bank deposit	19	60,136	60,324
Deferred tax assets	33	4,197	2,433
Deposit paid for acquisition of property, plant and equipment		10,251	30,894
Other assets		26,040	26,040
		4,142,665	4,014,913
Current assets			
Inventories	20	2,991,234	2,767,820
Trade and bills receivables	21	1,855,728	1,720,070
Deposits, prepayments and other receivables	23	179,448	178,197
Prepaid lease payments	14	4,744	4,815
Derivative financial instrument	24	529	—
Available-for-sale investments	25	17,924	1,694
Taxation recoverable		7,804	526
Bank balances and cash	26	2,725,090	2,111,088
		7,782,501	6,784,210
Current liabilities			
Trade and bills payables	27	636,193	397,117
Other payables and accruals	28	163,757	134,597
Dividend payable		191	197
Taxation payable		74,187	72,794
Derivative financial instruments	24	155,124	126,782
Bank borrowings — amount due within one year	29	2,759,445	1,849,123
		3,788,897	2,580,610
Net current assets		3,993,604	4,203,600
Total assets less current liabilities		8,136,269	8,218,513

Consolidated Statement of Financial Position

At 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	30	41,937	22,722
Reserves		5,658,172	5,437,842
Equity attributable to owners of the Company		5,700,109	5,460,564
Non-controlling interests		57,154	154,034
Total equity		5,757,263	5,614,598
Non-current liabilities			
Bank borrowings — amount due after one year	29	2,292,621	2,516,491
Deferred tax liabilities	33	86,385	87,424
		2,379,006	2,603,915
		8,136,269	8,218,513

The financial statements on pages 55 to 128 were approved and authorised for issue by the Board of Directors on 28 June 2017 and are signed on its behalf by:

Li Ming Hung
Director

Chen Tien Tui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company													
	Share capital HK$'000 (Note 30)	Share premium HK$'000	Special reserve HK$'000 (note i)	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note ii)	Translation reserve HK$'000	Dividend reserve HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 April 2015	18,625	1,882,360	1,961	39	76,229	647,749	–	25,093	662	7,416	2,709,265	5,369,399	144,688	5,514,087
Profit for the year	–	–	–	–	–	–	–	–	–	–	241,811	241,811	7,709	249,520
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(310,603)	–	–	–	–	–	(310,603)	(1,248)	(311,851)
Fair value change of available-for-sale investment	–	–	–	–	–	–	–	–	(48)	–	–	(48)	–	(48)
Fair value adjustment of investment property reclassified from property, plant and equipment, net of related deferred taxation (Note 15)	–	–	–	–	–	–	–	–	–	3,435	–	3,435	2,885	6,320
Total comprehensive income for the year	–	–	–	–	–	(310,603)	–	–	(48)	3,435	241,811	(65,405)	9,346	(56,059)
2015 Final dividend declared (Note 11)	–	–	–	–	–	–	55,938	–	–	–	(55,938)	–	–	–
2015 Special dividend declared (Note 11)	–	–	–	–	–	–	74,585	–	–	–	(74,585)	–	–	–
2016 Interim dividend declared (Note 11)	–	–	–	–	–	–	87,348	–	–	–	(87,348)	–	–	–
Issue of shares under scrip dividend scheme for 2015 final dividend	151	15,341	–	–	–	–	(15,492)	–	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2015 special dividend	170	17,272	–	–	–	–	(17,442)	–	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2016 interim dividend	25	1,851	–	–	–	–	(1,876)	–	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(183,061)	–	–	–	–	(183,061)	–	(183,061)
Issue of shares upon exercise of share options	26	2,570	–	–	–	–	–	(601)	–	–	–	1,995	–	1,995
Issue of shares upon subscription of shares, net of related transaction costs (Note 30)	3,725	333,911	–	–	–	–	–	–	–	–	–	337,636	–	337,636
At 31 March 2016	22,722	2,253,305	1,961	39	76,229	337,146	–	24,492	614	10,851	2,733,205	5,460,564	154,034	5,614,598
Profit for the year	–	–	–	–	–	–	–	–	–	–	135,526	135,526	(21,950)	113,576
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(503,608)	–	–	–	–	–	(503,608)	(2,201)	(505,809)
Reclassification of translation reserve upon disposal of subsidiaries (Note 31)	–	–	–	–	–	9	–	–	–	–	–	9	–	9
Fair value change of available-for-sale investment	–	–	–	–	–	–	–	–	320	–	–	320	–	320
Fair value adjustment of investment property reclassified from property, plant and equipment (Note 15)	–	–	–	–	–	–	–	–	–	2,442	–	2,442	2,347	4,789
Total comprehensive income for the year	–	–	–	–	–	(503,599)	–	–	320	2,442	135,526	(365,311)	(21,804)	(387,115)
2016 Final dividend declared (Note 11)	–	–	–	–	–	–	27,722	–	–	–	(27,722)	–	–	–
Issue of shares under scrip dividend scheme for 2016 final dividend	236	7,096	–	–	–	–	(7,332)	–	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(20,390)	–	–	–	–	(20,390)	–	(20,390)
Recognition of equity-settled share-based payments (Note 32)	–	–	–	–	–	–	–	21,246	–	–	–	21,246	–	21,246
Rights issue (Note 30)	13,979	332,621	–	–	–	–	–	–	–	–	–	346,600	–	346,600
Issue of shares upon subscription of shares, net of related transaction costs (Note 30)	5,000	252,400	–	–	–	–	–	–	–	–	–	257,400	–	257,400
Disposal of subsidiaries (Note 31)	–	–	–	–	–	–	–	–	–	–	–	–	(75,076)	(75,076)
At 31 March 2017	41,937	2,845,422	1,961	39	76,229	(166,453)	–	45,738	934	13,293	2,841,009	5,700,109	57,154	5,757,263

notes:

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

(ii) The capital reserve of the Group represents the difference between the nominal value of shares issued by the Company and the aggregate nominal value of the issued share capital of subsidiaries acquired pursuant to a previous group reorganisation, and as reduced by the amount arising from a subsequent capital reduction.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		137,732	282,400
Adjustments for:			
Depreciation of property, plant and equipment		295,591	264,704
Interest on bank borrowings		143,019	140,397
Net loss on fair value change of derivative financial instruments		127,224	26,212
Recognition of equity-settled share-based payments		21,246	—
Release of prepaid lease payments		4,777	4,844
Net loss (gain) on disposal of property, plant and equipment		793	(85)
Loss on fair value change of a restricted bank deposit		188	834
Interest income		(35,017)	(50,575)
Gain on disposal of subsidiaries	31	(19,850)	—
Gain on fair value change of investment properties		(790)	(700)
Impairment loss on trade receivables		—	2,167
Write-down of inventories		—	18
Operating cash flows before working capital changes		674,913	670,216
Increase in inventories		(443,196)	(259,285)
Increase in trade and bills receivables		(292,057)	(159,018)
(Increase) decrease in deposits, prepayments and other receivables		(24,775)	29,106
(Settlement of) proceeds from derivative financial instruments		(99,411)	2,947
Increase in trade and bills payables		260,223	42,466
Increase in other payables and accruals		94,649	26,495
Cash generated from operations		170,346	352,927
Interest received		35,017	50,575
Interest paid on bank borrowings		(143,019)	(140,397)
PRC Enterprise Income Tax ("EIT") paid		(16,635)	(18,906)
Hong Kong Profits Tax paid		(7,766)	(12,740)
Overseas tax paid		—	(125)
NET CASH GENERATED FROM OPERATING ACTIVITIES		37,943	231,334

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(649,854)	(771,053)
Purchase of available-for-sale investment		(15,910)	—
Deposit paid for acquisition of property, plant and equipment		(7,109)	(29,233)
Net cash inflow from disposal of subsidiaries	31	74,543	—
Proceeds from disposal of property, plant and equipment		1,827	1,575
Placement of restricted bank deposits		—	(61,922)
Withdrawal of restricted bank deposits		—	94,550
NET CASH USED IN INVESTING ACTIVITIES		(596,503)	(766,083)
FINANCING ACTIVITIES			
New bank loans raised		726,160	3,176,360
Net proceeds from rights issue		346,600	—
Net proceeds from subscription of shares		257,400	337,636
Net amount of import loans, trust receipts loans and term loans raised		223,139	166,974
Repayment of bank loans		(228,527)	(2,527,442)
Dividend paid to the Company's shareholders		(20,390)	(183,061)
Repayment of mortgage loans		(13,238)	(2,143)
Net repayment of bank borrowings from discounted bills and debts factored with recourse		(12,868)	(266,660)
Proceed from issue of shares through exercise of share options of the Company		—	1,995
NET CASH FROM FINANCING ACTIVITIES		1,278,276	703,659
NET INCREASE IN CASH AND CASH EQUIVALENTS		719,716	168,910
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,111,088	2,003,390
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(105,714)	(61,212)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		2,725,090	2,111,088

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section set out in the annual report.

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. Information to capital risk management and financial instruments was reordered to Notes 38 and 39, respectively. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

New and amendments to HKFRSs and an interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
5 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 9 "Financial Instruments" *(continued)*

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured at fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$31,535,000 as disclosed in Note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 7 "Disclosure Initiative" *(continued)*

The amendments apply prospectively for annual periods beginning on or after 1 April 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("CGU") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

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

Investment in a joint venture

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a joint venture *(continued)*

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

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

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

Leasehold land and buildings

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

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

Property, plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

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

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

Investment properties

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

Investment properties are initially measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's properties interests held under operating leases to earn rentals and/or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which it arises.

If an item of investment property becomes a property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, the deemed cost of such property, plant and equipment for subsequent accounting is its fair value at the date of change in use. Any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in the profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible asset

Intangible asset acquired separately

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

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

Impairment on tangible and intangible assets other than goodwill

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

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of joint arrangements that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Short-term benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangements *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to suppliers/consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all economic benefits embodied in the investments property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

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

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL.

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 39.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) financial assets at FVTPL; (b) loans and receivables; or (c) held-to-maturity investments.

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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

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

Financial liabilities and equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading; or (ii) it is designated at FVTPL.

A financial liability is classified as held for trading if:

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 39.

Financial liabilities at amortised cost

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables

The assessment of the impairment of trade receivables of the Group is based on the evaluation of recoverability of the trade receivables. A considerable amount of management judgment is required in assessing the ultimate realisation of these receivables, by considering the aging of the trade receivable balances, and the repayment history, the financial conditions and the current creditworthiness of each customer. Impairment is made based on the estimation of the future cash flow expected to be received. Where expectation on the recoverability of trade receivable is different from the original estimate, further impairment loss may arise. At 31 March 2017, the carrying amount of trade receivables was HK$1,706,638,000 (2016: HK$1,561,465,000) (net of allowance for doubtful debts of HK$6,169,000 (2016: HK$6,243,000)).

Valuation of structured foreign currency forward contracts

As at 31 March 2017, the Group had outstanding structured foreign currency forward contracts which were stated at fair value. In the absence of quoted market price, the valuation of these contracts was carried out by an independent professional valuer engaged by the Group using Monte Carlo Simulation Model, a valuation technique which involves key inputs and assumptions including spot exchange rates, strike rates, risk-free rate, time to maturity and volatility. Any changes in these key inputs and assumptions could have an impact on the fair value of these contracts. Details of these contracts and fair value measurement are set out in Notes 24 and 39(c), respectively.

5. REVENUE

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

	2017 HK$'000	2016 HK$'000
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	4,252,452	4,100,317
Production and sale of garment products and provision of quality inspection services	687,452	810,899
	4,939,904	4,911,216

6. SEGMENT INFORMATION

The Group's operations are organised into two operating segments, information of which is reported to the executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Details of the Group's two operating and reportable segments are as follows.

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

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

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

Year ended 31 March 2017

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	4,252,452	687,452	4,939,904	—	4,939,904
Inter-segment sales	40,575	—	40,575	(40,575)	—
Segment revenue	4,293,027	687,452	4,980,479	(40,575)	4,939,904
RESULTS					
Segment operating results	387,819	(14,169)	373,650	—	373,650
Gain on disposal of subsidiaries	—	19,850	19,850	—	19,850
Segment results	387,819	5,681	393,500	—	393,500
Unallocated corporate income					61,720
Other gains and losses					(127,414)
Unallocated corporate expenses					(47,055)
Finance costs					(143,019)
Profit before taxation					137,732

6. SEGMENT INFORMATION *(continued)*

Year ended 31 March 2016

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	4,100,317	810,899	4,911,216	—	4,911,216
Inter-segment sales	44,483	—	44,483	(44,483)	—
Segment revenue	4,144,800	810,899	4,955,699	(44,483)	4,911,216
RESULTS					
Segment results	355,904	32,916	388,820	—	388,820
Unallocated corporate income					75,941
Other gains and losses					(26,346)
Unallocated corporate expenses					(15,618)
Finance costs					(140,397)
Profit before taxation					282,400

The accounting policies of the operating segments are the same as the Group's accounting policies as described in Note 3. Segment profit represents the profit earned by each segment without allocation of interest income, rental income, net loss/gain on disposal of property, plant and equipment, gain on fair value change of investment properties, net loss on fair value change of derivative financial instruments, loss on fair value change of restricted bank deposit, central administration costs and finance costs. This is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at the prevailing market rate.

Segment assets and liabilities

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

At 31 March 2017

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	8,414,978	469,207	8,884,185
Unallocated assets			3,040,981
Consolidated total assets			11,925,166
LIABILITIES			
Segment liabilities	662,314	137,827	800,141
Unallocated liabilities			5,367,762
Consolidated total liabilities			6,167,903

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

At 31 March 2016

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	7,725,408	664,703	8,390,111
Unallocated assets			2,409,012
Consolidated total assets			10,799,123
LIABILITIES			
Segment liabilities	431,799	97,027	528,826
Unallocated liabilities			4,655,699
Consolidated total liabilities			5,184,525

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

- all assets are allocated to operating segments other than bank balances and cash, derivative financial instrument, available-for-sale investments, taxation recoverable, investment properties, deferred tax assets, corporate assets and assets of non-core businesses; and

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

Other segment information

Year ended 31 March 2017

	Knitted fabric and dyed yarn HK$'000	**Garment products HK$'000**	**Consolidated total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets (note)	**672,414**	**5,192**	**677,606**
Depreciation of property, plant and equipment	**280,138**	**15,453**	**295,591**
Net (gain) loss on disposal of property, plant and equipment	**(159)**	**952**	**793**
Release of prepaid lease payments	**4,681**	**96**	**4,777**

6. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

Year ended 31 March 2016

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets (note)	765,678	22,542	788,220
Depreciation of property, plant and equipment	245,149	19,555	264,704
Net (gain) loss on disposal of property, plant and equipment	(216)	131	(85)
Release of prepaid lease payments	4,763	81	4,844
Impairment loss on trade receivables	2,167	—	2,167
Write-down of inventories	—	18	18

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

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

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Hong Kong	**548,997**	588,023	**97,021**	89,408
PRC	**2,602,645**	2,299,406	**3,928,921**	3,773,950
Bangladesh	**445,044**	452,490	**—**	—
USA	**444,163**	657,870	**—**	—
Korea	**371,722**	419,459	**—**	—
Taiwan	**265,232**	232,043	**—**	—
Singapore	**86,904**	85,299	**—**	—
Japan	**53,149**	20,793	**—**	—
Germany	**31,010**	70,769	**—**	—
Canada	**25,108**	—	**—**	—
Others	**65,930**	85,064	**26,350**	62,758
	4,939,904	4,911,216	**4,052,292**	3,926,116

6. SEGMENT INFORMATION *(continued)*

Information about major customers

None of the customers individually contributed over 10% of the Group's total annual revenue for the years ended 31 March 2017 and 2016.

Information about products and services

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

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Net loss on fair value change of derivative financial instruments	127,224	26,212
Net loss (gain) on disposal of property, plant and equipment	793	(85)
Loss on fair value change of a restricted bank deposit	188	834
Net foreign exchange losses	43	10,230
Gain on fair value change of investment properties	(790)	(700)
Impairment loss on trade receivables	—	2,167
	127,458	38,658

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings	143,019	140,397

9. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
The tax charge comprises:		
Current tax:		
Current year		
— Hong Kong Profits Tax	—	9,155
— PRC EIT	21,844	21,889
— Overseas income tax	—	125
	21,844	31,169
Under(over)provision in respect of prior years	57	(2,152)
	21,901	29,017
Deferred taxation (Note 33)		
Current year	2,255	3,863
	24,156	32,880

Hong Kong

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

PRC

EIT in the PRC is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC for both years, as determined in accordance with relevant income tax rules and regulation in the PRC.

Macau

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

Other jurisdictions

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

9. INCOME TAX EXPENSE *(continued)*

Other jurisdictions *(continued)*

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

	2017 HK$'000	2016 HK$'000
Profit before taxation	137,732	282,400
Tax at the domestic income tax rate of 16.5%	22,726	46,596
Tax effect of expenses that are not deductible for tax purpose	13,687	13,799
Tax effect of income not taxable for tax purpose	(4,185)	(6,889)
Tax effect of tax losses not recognised	14,268	9,660
Tax effect of utilisation of tax losses previously not recognised	(2,982)	(2,957)
Tax effect of other deductible temporary differences not recognised	5,048	12,553
Tax effect of utilisation of other deductible temporary differences previously not recognised	(555)	(5,905)
Effect of tax exemptions granted to overseas subsidiaries	(34,685)	(45,475)
Effect of different tax rates of subsidiaries operating in other jurisdictions	5,639	6,485
Under(over)provision in respect of prior years	57	(2,152)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	5,138	7,165
Income tax expense for the year	24,156	32,880

Details of deferred taxation are set out in Note 33.

10. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	25,022	21,848
Other staff costs	493,106	593,653
Total staff costs	518,128	615,501
Auditor's remuneration	3,636	3,780
Depreciation of property, plant and equipment	295,591	264,704
Release of prepaid lease payments	4,777	4,844
Write-down of inventories (included in cost of sales)	—	18
and after crediting:		
Bank interest income	35,017	50,575
Government grants	616	4,758
Rental income from investment properties, and plant and machinery (net of negligible outgoings)	26,703	25,366

10. PROFIT FOR THE YEAR *(continued)*

Included in the other staff costs is an aggregate amount of HK$38,013,000 (2016: HK$47,689,000) in respect of contributions to retirement benefits schemes made by the Group (note ii) and HK$17,941,000 (2016: Nil) in respect of equity-settled share-based payments.

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

notes:

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

Directors and chief executive

The emoluments paid or payable to each of the seven (2016: seven) Directors and the chief executive were as follows:

	Executive directors				Non-executive directors			
	Li Ming Hung	**Chen Tien Tui**	**Lee Yuen Chiu Andy**	**Choi Lin Hung**	**Kan Ka Hon**	**Phaisalakani Vichai**	**Kwok Sze Chi**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
2017								
Fees	–	–	–	1,170	240	240	240	1,890
Salaries and other benefits	4,920	4,920	1,550	2,490	–	–	–	13,880
Equity-settled share-based payments	–	–	–	1,180	–	–	–	1,180
Performance related incentive payments (note)	3,180	3,180	728	751	–	–	–	7,839
Contributions to retirement benefits schemes	61	61	86	25	–	–	–	233
Total emoluments	8,161	8,161	2,364	5,616	240	240	240	25,022
2016								
Fees	–	–	–	1,170	240	240	240	1,890
Salaries and other benefits	3,960	3,960	1,550	2,490	–	–	–	11,960
Performance related incentive payments (note)	3,154	3,154	728	751	–	–	–	7,787
Contributions to retirement benefits schemes	50	50	86	25	–	–	–	211
Total emoluments	7,164	7,164	2,364	4,436	240	240	240	21,848

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

Mr. Chen Tien Tui is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

The executive Director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive Directors' emoluments shown above were mainly for their services as Directors.

10. PROFIT FOR THE YEAR *(continued)*

notes: *(continued)*

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

Employees

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

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	1,920	1,620
Performance related incentive payments	987	803
Contributions to retirement benefits schemes	69	66
	2,976	2,489

During each of the year ended 31 March 2017 and 31 March 2016, (i) no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the Directors waived any emoluments.

(ii) Retirement benefits scheme contributions

The Group has operated a defined contribution retirement benefits scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The Group makes mandatory monthly contribution of HK$1,500 or 5% of the relevant payroll costs (which is lower) to the scheme, which contribution is matched by the employee.

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

As at 31 March 2017 and 2016, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on 15% to 20% (2016: 15% to 20%) of the salaries of the relevant subsidiaries' employees, are charged to the profit or loss in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

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

11. DISTRIBUTIONS

	2017 HK$'000	2016 HK$'000
Dividends recognised as distribution during the year:		
2016 interim dividend of HK4.0 cents (2017: Nil) per ordinary share	–	87,348
2016 final dividend of HK1.0 cent (2016: 2015 final dividend of HK3.0 cents and special dividend of HK4.0 cents) per ordinary share	27,722	130,523
	27,722	217,871

No final dividend has been proposed for the year ended 31 March 2017 (2016: HK1.0 cent per share, in cash with a scrip dividend option).

12. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	135,526	241,811
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,042,668,232	2,025,445,105
Effect of dilutive potential ordinary shares: Company's share options	–	24,945,146
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,042,668,232	2,050,390,251

The computation of diluted earnings per share for the current year does not assume the exercise of the Company's outstanding share options as the relevant exercise price of those options were higher than the average market price for the current year.

The effect of the rights issue during the year has been considered in the computation of earnings per share. No adjustment to the earnings per share for the year ended 31 March 2016 is considered necessary.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 April 2015	2,584,907	299,933	75,928	551,043	37,900	2,090,532	5,640,243
Exchange realignment	(86,127)	(7,885)	(1,484)	(22,110)	(676)	(81,953)	(200,235)
Additions	577	652,097	2,093	5,130	7,536	120,787	788,220
Transfer	97,098	(815,655)	—	168,057	—	550,500	—
Transfer to investment properties (Note 15)	(102,869)	—	—	—	—	—	(102,869)
Disposals	—	—	(874)	—	(6,077)	(813)	(7,764)
At 31 March 2016	2,493,586	128,490	75,663	702,120	38,683	2,679,053	6,117,595
Exchange realignment	(132,457)	(9,475)	(2,249)	(44,713)	(1,006)	(146,795)	(336,695)
Additions	29,181	510,582	2,403	—	6,261	129,179	677,606
Transfer	54,741	(414,885)	—	306,668	—	53,476	—
Transfer from investment properties (Note 15)	8,922	—	—	—	—	—	8,922
Transfer to investment properties (Note 15)	(3,189)	—	—	—	—	—	(3,189)
Disposals	—	—	(1,398)	(1,341)	(3,727)	(13,150)	(19,616)
Disposal of subsidiaries (Note 31)	(3,842)	—	(3,945)	(7,223)	(1,941)	(33,946)	(50,897)
At 31 March 2017	2,446,942	214,712	70,474	955,511	38,270	2,667,817	6,393,726
DEPRECIATION							
At 1 April 2015	793,538	—	59,060	47,839	25,541	1,488,999	2,414,977
Exchange realignment	(28,630)	—	(1,451)	(1,160)	(518)	(53,494)	(85,253)
Provided for the year	105,327	—	5,454	27,338	4,942	121,643	264,704
Transfer to investment properties (Note 15)	(1,188)	—	—	—	—	—	(1,188)
Eliminated on disposals	—	—	(856)	—	(4,786)	(632)	(6,274)
At 31 March 2016	869,047	—	62,207	74,017	25,179	1,556,516	2,586,966
Exchange realignment	(48,089)	—	(1,830)	(3,443)	(814)	(87,106)	(141,282)
Provided for the year	102,614	—	4,031	29,005	5,223	154,718	295,591
Eliminated on disposals	—	—	(1,341)	(1,298)	(3,568)	(10,789)	(16,996)
Transfer to investment properties (Note 15)	(748)	—	—	—	—	—	(748)
Disposal of subsidiaries (Note 31)	(2,278)	—	(798)	(2,581)	(1,184)	(16,146)	(22,987)
At 31 March 2017	920,546	—	62,269	95,700	24,836	1,597,193	2,700,544
CARRYING VALUES							
At 31 March 2017	1,526,396	214,712	8,205	859,811	13,434	1,070,624	3,693,182
At 31 March 2016	1,624,539	128,490	13,456	628,103	13,504	1,122,537	3,530,629

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

Leasehold land and buildings	25 years or the term of the lease, if shorter
Furniture, fixtures and equipment	15%–33⅓% per annum
Leasehold improvements	5 to 10 years or the term of the relevant leases, if shorter
Motor vehicles	20% per annum
Plant and machinery	6⅔%–25% per annum

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	2017 HK$000	2016 HK$000
The Group's leasehold land and buildings comprise:		
Leasehold land and buildings located in:		
PRC	1,510,130	1,603,238
Hong Kong	16,266	19,682
Jordan	—	1,619
	1,526,396	1,624,539

14. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Prepaid lease payments comprise leasehold land in the PRC	192,762	198,137
Analysed for reporting purposes as:		
Current assets	4,744	4,815
Non-current assets	188,018	193,322
	192,762	198,137

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUES	
At 1 April 2015	54,800
Transfer from property, plant and equipment	101,681
Transfer from prepaid lease payments	603
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	8,426
Increase in fair value recognised in profit or loss	700
Exchange realignment	(1,553)
At 31 March 2016	164,657
Transfer to property, plant and equipment	(8,922)
Transfer to prepaid lease payments	(3,021)
Transfer from property, plant and equipment	2,441
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	4,789
Increase in fair value recognised in profit or loss	790
Exchange realignment	(6,078)
At 31 March 2017	**154,656**

15. INVESTMENT PROPERTIES *(continued)*

During the year ended 31 March 2017, investment properties with carrying amounts of HK$11,943,000 was transferred to property, plant and equipment and prepaid lease payments as the management had changed the use of property to owner occupation purpose. The property was fair-valued by Roma Appraisals Limited ("Roma"), an independent firm of valuers not connected with the Group, at the date of transfer using the depreciated replacement costs approach.

During the year ended 31 March 2017, a portion of the Group's office premise located in Hong Kong with a carrying amount of HK$2,441,000 was leased out to an independent third party. The corresponding portion of the leasehold land and building was reclassified from property, plant and equipment to investment properties from the date of commencement of the lease agreement. The property was fair-valued by Roma and the resulting increase in fair value of net of non-controlling interest HK$2,442,000 has been credited to the property revaluation reserve. The fair value of commercial properties were determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in the market.

During the year ended 31 March 2016, property, plant and equipment and prepaid lease payments with carrying amounts of HK$101,681,000 and HK$603,000, respectively were transferred to investment properties as the management had changed the use of the properties, evidenced by entering into various operating leases with tenants. The properties were fair-valued by Roma at the date of transfer using the depreciated replacement costs approach, or by reference to recent market prices and market rental for similar properties in similar locations and conditions, where appropriate. The resulting increase in fair value net of related deferred taxation and non-controlling interest of HK$3,435,000 has been credited to the property revaluation reserve.

The Group's property interest held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for investment properties.

The fair value of the Group's investment properties at 31 March 2017 and 2016 has been arrived at based on a valuation carried out by Roma.

The fair value of industrial properties was determined based on the depreciated replacement costs approach, where the estimate of the market value for the existing use of land plus the current costs of replacement of the properties less deductions for physical deterioration and all relevant from of obsolescence and optimisation. The fair value of residential property was determined by reference to the recent market prices for similar prices for similar properties in similar locations and conditions. The fair value of commercial property was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in the market.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

15. INVESTMENT PROPERTIES *(continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

Category	Fair value hierarchy	Fair value 2017 HK$'000	Fair value 2016 HK$'000	Valuation techniques	Key unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	Level 3	**91,136**	109,157	Depreciated replacement costs approach	Market value of the existing use of land	The higher the market value, the higher the fair value
					Current costs of replacements of the properties	The higher the replacement costs, the higher the fair value
					Provision for physical deterioration and obsolescence and costs of optimisation	The higher the provision and costs, the lower the fair value
Residential property	Level 3	**32,000**	32,000	Market comparable approach	Transaction prices for similar properties after accounting for floor areas and floor level	The higher the transaction prices, the higher the fair value
Commercial property	Level 3	**31,520**	23,500	Income approach	Monthly market rent, taking into account the differences in location and individual factors, such as floor areas and floor level, between the comparables and the property	The higher the market rent, the higher the fair value
					Reversionary yield (derived from monthly market rent)	The higher the reversionary yield, the lower the fair value
		154,656	164,657			

There were no transfers into or out of Level 3 during both years.

	2017 HK$'000	2016 HK$'000
The Group's investment properties comprise:		
Investment properties located in:		
PRC	**91,136**	109,157
Hong Kong	**63,520**	55,500
	154,656	164,657

16. GOODWILL

	HK$'000
COST	
At 1 April 2015 and 31 March 2016	6,614
Disposal of subsidiaries (Note 31)	(429)
At 31 March 2017	**6,185**

16. GOODWILL *(continued)*

As explained in Note 6, the Group has two (2016: two) operating segments. For the purposes of impairment testing, goodwill was allocated to individual CGU or a group of CGUs, which are included in the production and sale of garment products segment. The segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

During the year ended 31 March 2017 and 2016, the Directors determine that there are no impairment of any of its CGUs containing goodwill. The recoverable amount of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2016: 10%). The cash flows beyond the 5-year period are extrapolated using zero growth rate for both years. The growth rate beyond the budget period is estimated based on management forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount.

17. INTANGIBLE ASSET

	HK$'000
COST	
At 1 April 2015, 31 March 2016 and 31 March 2017	1,000
IMPAIRMENT	
At 1 April 2015, 31 March 2016 and 31 March 2017	(1,000)
CARRYING VALUES	
At 31 March 2017 and 31 March 2016	–

The intangible asset represents a trademark acquired for the garment products segment. While the trademark has a registered life of 7 years, the Directors are of the opinion that it can be renewed at minimal cost upon expiration of its registration and practically has indefinite useful life. The trademark has been allocated to a CGU, which is included in the garment products segment. Accordingly, no amortisation is provided on the trademark while assessment on any indication of reversal on recognised impairment loss will be performed at least annually.

18. INTEREST IN A JOINT VENTURE

	2017 & 2016 HK$'000
Cost of unlisted investment in a joint venture	1,340
Share of post-acquisition losses	(1,340)
	–

As at 31 March 2017 and 31 March 2016, the Group had interest in the following joint venture:

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

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

19. RESTRICTED BANK DEPOSIT

This represents an initial deposit of US$7,990,000 (2016: US$7,990,000) placed with a bank pursuant to one of the Net-settled Contracts (as defined in Note 24) entered into during the year ended 31 March 2016. The amount is repayable to the Group on 5 March 2019 (2016: 5 March 2019) at US$8,000,000 (2016: US$8,000,000).

The Group has designated the restricted bank deposit as a financial asset at FVTPL.

20. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	1,655,393	1,426,238
Work in progress	762,587	636,880
Finished goods	573,254	704,702
	2,991,234	2,767,820

21. TRADE AND BILLS RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	1,712,807	1,567,708
Bills receivables	6,833	2,802
Bills discounted with recourse and debts factored with recourse	142,257	155,803
Less: Allowance for doubtful debts	(6,169)	(6,243)
	1,855,728	1,720,070

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

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

	2017 HK$'000	2016 HK$'000
0–60 days	1,209,205	1,104,123
61–90 days	371,831	380,297
91–120 days	189,653	160,765
Over 120 days	85,039	74,885
	1,855,728	1,720,070

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

	2017 HK$'000	2016 HK$'000
RMB	73,160	36,042
US$	252,563	220,807

Before accepting any new customer, the Group assesses and understands the potential customer's credit quality. The management reviews each customer's credit quality regularly. All trade receivables that are neither past due nor impaired have good credit quality after considering the aging of the trade receivable balances, and the repayment history, the financial conditions and the current creditworthiness of each customer. Impairment is made based on the estimation of the future cash flow expected to be received. Where expectation on the recoverability of trade receivable is different from the original estimate, further impairment loss may arise.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$85,039,000 (2016: HK$74,885,000) which were past due, all aged over 120 days, at the end of the reporting period but for which the Group has not provided for impairment loss.

21. TRADE AND BILLS RECEIVABLES *(continued)*

The Group does not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality. The Group has assessed the ultimate realisation of these receivables, including the aging of the trade receivable balances, and the repayment history, the financial conditions and the current creditworthiness of each customer and has not identified any credit risk on these trade receivables.

As at 31 March 2017, the Group factored certain trade receivables and discounted certain bill receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2017, the carrying amount of trade receivables factored and bills receivables discounted with recourse was HK$142,257,000 (2016: HK$155,803,000).

Movements in the allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	6,243	4,125
Exchange realignment	(74)	(49)
Impairment loss recognised on trade receivables	–	2,167
Balance at end of the year	6,169	6,243

The impairment loss recognised was related to customers which have either been placed under liquidation or were in severe financial difficulties.

22. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's trade and bills receivables as at 31 March 2017 that were transferred to banks by factoring those trade receivables or discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade and bills receivables, it continues to recognise the full carrying amount of the trade and bills receivables and has recognised the cash received on the transfer as an unsecured borrowing (see Note 29). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2017 HK$'000	2016 HK$'000
Carrying amount of trade and bills receivables	142,257	155,803
Carrying amount of associated liabilities	(142,166)	(155,034)

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Deposits paid for purchase of raw materials and garment products	**129,587**	121,994
Other deposits and prepayments	**25,511**	30,391
Others	**24,350**	25,812
	179,448	178,197

24. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	notes	Liabilities 2017 HK$'000	Liabilities 2016 HK$'000	Assets 2017 HK$'000	Assets 2016 HK$'000
Structured foreign currency forward contracts:	(i)				
Net-settled Contracts	(ii)	**151,037**	122,150	**–**	–
Interest rate swap	(iii)	**2,761**	4,632	**–**	–
Interest rate collars	(iv)	**1,326**	–	**529**	–
		155,124	126,782	**529**	–

notes:

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

(ii) The pre-determined RMB/US$ exchange rates range from 6.00 to 6.70 (2016: 6.00 to 6.70). The maximum aggregate notional amount of these Net-settled Contracts for the calculation of the monthly net-settled amounts is US$23,000,000 (2016: US$27,000,000), of which US$17,000,000 (2016: US$21,000,000) is related to contracts with knockout provision. The maturity dates of these contracts range from 8 August 2017 to 5 March 2019 (2016: 8 August 2017 to 5 March 2019) subject to knockout provision.

(iii) At 31 March 2017, the total notional amount of the interest rate swap contract which swaps interest rate from floating rate at 3-month HIBOR per annum to a fixed rate of 3.56% (2016: 3.56%) per annum amounted to HK$40,000,000 (2016: HK$40,000,000). The interest rate swap is to be net-settled on a quarterly basis over the period from 31 May 2017 to 31 May 2021 (2016: from 31 May 2016 to 31 May 2021).

(iv) At 31 March 2017, the total notional amount of the interest rate collar contracts with a cap rate of 4.00% (2016: N/A) per annum and floor rate of 0.20% (2016: N/A) per annum against floating rate at 1-month HIBOR (2016: N/A) per annum amounted to HK$1,500,000,000 (2016: N/A). The interest rate collar contracts are to be net-settled on a monthly basis over the contract periods. The maturity dates of these contracts range from 20 June 2019 to 24 June 2019 (2016: N/A).

25. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted equity investment (note i)	15,910	—
Unlisted trust fund (note ii)	2,014	1,694
	17,924	1,694

notes:

(i) The above investment in an unlisted equity investment represents investment in an unlisted equity security issued by a private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

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

26. BANK BALANCES AND CASH

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

	2017 HK$'000	2016 HK$'000
Bank balances and cash	2,052,744	1,620,208
Short term deposits	672,346	490,880
	2,725,090	2,111,088

The bank balances and short term deposits carry interest at prevailing market rates ranging from 0.001% to 4.00% (2016: 0.001% to 2.50%) per annum for the year.

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

	2017 HK$'000	2016 HK$'000
HK$	1,612	25,227
RMB	41,909	43,165
US$	468,213	8,278

27. TRADE AND BILLS PAYABLES

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

	2017 HK$'000	2016 HK$'000
0–60 days	322,054	259,220
61–90 days	106,280	89,400
91–120 days	139,861	31,876
Over 120 days	67,998	16,621
	636,193	397,117

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

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

	2017 HK$'000	2016 HK$'000
US$	79,397	64,983

28. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Other payables	49,935	30,237
Accruals	72,548	77,724
Deposits received from customers	8,227	10,295
Rental deposit received	10,091	10,699
Others	22,956	5,642
	163,757	134,597

29. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans	3,493,294	2,999,768
Bills discounted with recourse and debts factored with recourse	142,166	155,034
Import loans, export loans, trust receipts loans and term loans	1,405,727	1,186,695
Mortgage loans	10,879	24,117
	5,052,066	4,365,614
Analysed as:		
— secured	319,409	353,729
— unsecured	4,732,657	4,011,885
	5,052,066	4,365,614

	2017 HK$'000	2016 HK$'000
Carrying amounts of bank loans that do not contain repayment on demand clause and repayable (note):		
Within one year	825,144	246,423
In more than one year but not more than two years	852,177	522,490
In more than two years but not more than three years	1,440,444	741,175
In more than three years but not more than four years	—	1,252,826
	3,117,765	2,762,914
Carrying amounts of bank loans that contain repayment on demand clause and repayable (note):		
Within one year	1,850,206	1,506,050
In more than one year but not more than two years	51,522	52,219
In more than two years but not more than three years	32,573	36,385
In more than three years but not more than four years	—	1,574
In more than four years but not more than five years	—	1,621
In more than five years	—	4,851
	1,934,301	1,602,700
	5,052,066	4,365,614
Less: Amounts shown as current liabilities	(2,759,445)	(1,849,123)
Amounts shown as non-current liabilities	2,292,621	2,516,491

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

29. BANK BORROWINGS *(continued)*

The above includes syndicated loans of HK$2,888,000,000 (2016: HK$2,511,840,000) which bears interest at HIBOR plus 2.17% per annum or London Interbank Offered Rate ("LIBOR") plus 2.17% per annum with a tenure of 3.5 years (2016: HIBOR plus 2.17% per annum or LIBOR plus 2.17% per annum with a tenure of 3.5 years). The Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 1.00% to 2.70% per annum, LIBOR plus 1.25% to 2.50% per annum or the People's Bank of China Prescribed Rate ("PBOC Prescribed Rate") times 1.1 per annum for the year ended 31 March 2017 (2016: HIBOR plus 1.50% to 2.50% per annum, LIBOR plus 1.25% to 2.50% per annum or the PBOC Prescribed Rate times 1.1 per annum). The range of effective interest rates of the Group's bank borrowings are 1.37% to 5.51% per annum (2016: 1.52% to 5.69% per annum).

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

	2017 HK$'000	2016 HK$'000
HK$	15,660	24,568
US$	647,302	480,584

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2015, 31 March 2016 and 31 March 2017	40,000,000,000	400,000
Issued and fully paid:		
As at 1 April 2015	1,862,559,899	18,625
Issue of Shares pursuant to scrip dividend scheme for 2015 final dividend (note i)	15,127,796	151
Issue of Shares pursuant to scrip dividend scheme for 2015 special dividend (note i)	17,032,059	170
Issue of Shares pursuant to scrip dividend scheme for 2016 interim dividend (note ii)	2,498,932	25
Issue of Shares upon exercise of share options (Note 32)	2,550,000	26
Issue of Shares upon subscription of shares, net of related transaction costs (note iii)	372,460,000	3,725
As at 31 March 2016	2,272,228,686	22,722
Issue of Shares pursuant to scrip dividend scheme for 2016 final dividend (note iv)	23,600,784	236
Issue of Shares upon subscription of shares, net of related transaction costs (note v)	500,000,000	5,000
Rights Issue (note vi)	1,397,914,735	13,979
As at 31 March 2017	**4,193,744,205**	**41,937**

30. SHARE CAPITAL *(continued)*

notes:

(i) On 30 October 2015, the Company issued and allotted a total of 32,159,855 Shares of HK$0.01 each at an issue price of HK$1.0241 each in lieu of cash for the 2015 final and special dividends pursuant to the scrip dividend circular to Shareholders dated 25 September 2015. These Shares ranked pari passu in all respects with the then existing Shares.

(ii) On 11 March 2016, the Company issued and allotted a total of 2,498,932 Shares of HK$0.01 each at an issue price of HK$0.7505 each in lieu of cash for the 2016 interim dividends pursuant to the scrip dividend circular to Shareholders dated 22 January 2016. These Shares ranked pari passu in all respects with the then existing Shares.

(iii) On 14 September 2015, the Company entered into a placing and subscription agreement with Pearl Garden and Madian Star as vendors (the "Vendors") and Kingston Securities Limited ("Kingston Securities") as placing agent (the "First Placing Agent"), which are independent and not connected with the Group. Pursuant to the placing and subscription agreement, the First Placing Agent agreed to place up to 186,460,000 placing shares held by the Vendors to third parties which (including their ultimate beneficial owners, where applicable) are (i) independent of the Vendors, the Group and their respective connected persons; and (ii) independent of, not connected with and not acting in concert with any of the Vendors or their respective concert parties at HK$1.00 per placing share. The placing and subscription were completed on 16 September 2015 and 25 September 2015 respectively. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK$183,928,000. The new Shares rank pari passu with the existing Shares in all respects.

On 23 October 2015, the Company entered into a placing agreement with the Vendors and DBS Asia Capital Limited (the "Second Placing Agent"), which are independent and not connected with the Group. Pursuant to the placing agreement, the Second Placing Agent has agreed to place up to 100,000,000 placing shares held by the Vendors to third parties which (including their beneficial owners, where applicable) are (i) independent of, not connected with and not acting in concert with or directly or indirectly funded by any of the Vendors or their respective concert parties; (ii) not connected persons of the Group and are independent of and not connected with the Group, the Directors, chief executive or substantial shareholders of the Group; and (iii) have not become substantial Shareholders following the placing at HK$1.00 per placing share. On the same date, the Company also entered into a subscription agreement with the Vendors to conditionally agree to allot and issue the exact number of subscription shares which will be equivalent to the respective number of placing shares actually placed by the Vendors at HK$1.00 per subscription share. The placing and subscription were completed on 27 October 2015 and 6 November 2015, respectively. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK$98,568,000. The new Shares rank pari passu with the existing Shares in all respects.

On 1 February 2016, the Company entered into a placing and subscription agreement with the Vendors and the First Placing Agent. On 2 February 2016, the Company entered into a supplement agreement to the placing and subscription agreement with the Vendors and the First Placing Agent. Pursuant to the placing and subscription agreement, the First Placing Agent agreed to place up to 86,000,000 placing shares held by the Vendors to third parties which (including their ultimate beneficial owners, where applicable) are (i) independent of the Vendors, the Group and their respective connected persons; and (ii) independent of, not connected with and not acting in concert with any of the Vendors or their respective concert parties at HK$0.65 per placing share. The placing and subscription were completed on 5 February 2016 and 15 February 2016 respectively. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK$55,140,000. The new Shares rank pari passu with the existing Shares in all respects.

(iv) On 28 October 2016, the Company issued and allotted a total of 23,600,784 Shares of HK$0.01 each at an issue price of HK$0.3107 each in lieu of cash for the 2016 final dividends pursuant to the scrip dividend circular to Shareholders dated 23 September 2016. These Shares ranked pari passu in all respects with the then existing Shares.

(v) On 18 March 2016, the Company entered into a placing agreement the First Placing Agent. Pursuant to the placing agreement, the First Placing Agent agreed to place up to 500,000,000 placing shares to third parties which (including their beneficial owners, where applicable) are (i) independent of, not connected with and not acting in concert with or directly or indirectly funded by any of the Vendors or their respective concert parties; (ii) not connected persons of the Company and are independent of and not connected with the Company, the Directors, chief executive or substantial shareholders of the Company; and (iii) have not become substantial Shareholders following the placing at HK$0.52 per placing share. The placing was completed on 17 May 2016. After deducting all related transaction costs, the net proceeds from the placing amounted to approximately HK$257,400,000. The new Shares rank pari passu with the existing Shares in all respects.

30. SHARE CAPITAL *(continued)*

notes: *(continued)*

(vi) On 8 November 2016, the Company proposed a rights issue to raise a gross proceeds of approximately HK$349.5 million to approximately HK$396.2 million on the basis of one rights Share for every two existing Shares held on the record date (i.e. 9 December 2016) by issuing not less than 1,397,914,735 rights Shares and not more than 1,584,839,735 rights Shares at the subscription price of HK$0.25 per rights Share.

On 6 January 2017, the Company issued and allotted 1,397,914,735 rights Shares at a price of HK$0.25 per rights Share to subscribers. The number of rights Share applied and issued was 1,282,010,152. Pursuant to the underwriting agreement, Kingston Securities, the underwriter, has subscribed to the remaining under-subscribed 115,904,583 rights Shares.

31. DISPOSAL OF SUBSIDIARIES

On 13 July 2016, VC Investments, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Purchaser conditionally agreed to purchase and VC Investments conditionally agreed to sell its entire 51% equity interest in RS Holdings and its subsidiaries (collectively referred to as the "RS Group") at a cash consideration of HK$98,000,000. The RS Group is principally engaged in the manufacturing of garment products in Jordan. The disposal was completed on 1 August 2016 and the RS Group ceased to be subsidiaries of the Group. Disposal-related costs amounting to HK$162,000 were excluded from the consideration received and recognised as an expense in the consolidated statement of profit or loss.

Further details of the consideration and assets and liabilities disposed of in respect of the RS Group at the date of the disposal were as follows:

	HK$'000
Consideration:	
Cash received	98,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	27,910
Goodwill	429
Inventories	78,095
Trade receivables	68,347
Deposits, prepayments and other receivables	14,402
Bank balances and cash	23,457
Trade payables	(818)
Other payables and accruals	(58,605)
Net assets disposed of	153,217
Gain on disposal:	
Consideration	98,000
Net assets disposed of	(153,217)
Non-controlling interests	75,076
Cumulative exchange difference in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	(9)
	19,850

31. DISPOSAL OF SUBSIDIARIES *(continued)*

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration received	98,000
Less: Bank balances and cash disposed of	(23,457)
	74,543

32. SHARE-BASED PAYMENT TRANSACTIONS

On 15 March 2011, a new share option scheme (the "2011 Scheme") of the Company was approved and adopted pursuant to an ordinary resolution, upon the expiry of the Company's then existing share option scheme. The terms of the 2011 Scheme and the expired Scheme (collectively the "Schemes") are broadly similar. The 2011 Scheme is effective for a period of 10 years. The Schemes were adopted for the primary purpose of providing incentives or rewards to selected participants for their contributions to the Group. Under the Schemes, the Board of Directors of the Company could grant options to full-time employees, including executive directors of the Company and its subsidiaries, and any participants from time to time determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Schemes and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Schemes and any other share option scheme of the Group) to be granted under the Schemes and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on 15 March 2011. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Schemes and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

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

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

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

					Number of option shares					
Category	**Date of grant**	**Exercise price per Share**	**Adjusted exercise price per share due to Rights Issue**	**Exercisable period**	**Outstanding at 1.4.2015**	**Exercised during the year**	**Outstanding at 31.3.2016**	**Granted during the year**	**Addition after adjustment due to Rights Issue**	**Outstanding at 31.3.2017**
		HK$	HK$							
Directors										
Mr. Li Ming Hung	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	1,200,000	–	1,200,000	–	57,720	1,257,720
Mr. Chen Tien Tui	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	1,200,000	–	1,200,000	–	57,720	1,257,720
Mr. Lee Yuen Chiu Andy	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	5,000,000	–	5,000,000	–	240,500	5,240,500
Mr. Choi Lin Hung	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	12,000,000	–	12,000,000	–	577,200	12,577,200
	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	–	–	–	15,000,000	721,500	15,721,500
Employees	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	87,000,000	(2,550,000)	84,450,000	–	4,062,045	88,512,045
	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	–	–	–	228,000,000	10,966,800	238,966,800
Others	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	–	–	–	27,000,000	1,298,700	28,298,700
					106,400,000	(2,550,000)	103,850,000	270,000,000	17,982,185	391,832,185
Exercisable at the end of the year					106,400,000		103,850,000			391,832,185
Weighted average exercise price (HK$)					0.782		0.782			0.477

On 12 October 2016, the Company granted 270,000,000 new share options to the eligible Director and eligible employees under the 2011 Scheme. The exercise price of the options granted is HK$0.391 per Share while the closing price of the Share immediately before the date of grant is HK$0.385. These options were immediately vested and are exercisable for a period up to the 5th anniversary of the date of grant. The fair value of these options was determined to be HK$0.0787 per option, arrived at using the Binomial Model with the following variables and assumptions:

Share price at grant date	HK$0.385
Exercise price	HK$0.391
Expected volatility	43.24%
Expected life	5 years
Expected dividend yield	4.84%
Risk free rate	0.745%

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

The fair value of the share option granted was approximately HK$21,246,000 and the amount was fully recognised as share-based payment expense during the year ended 31 March 2017.

33. DEFERRED TAXATION

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

	2017 HK$'000	2016 HK$'000
Deferred tax assets	4,197	2,433
Deferred tax liabilities	(86,385)	(87,424)
	(82,188)	(84,991)

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

	Fair value adjustments on prepaid lease payments and property, plant and equipment arising on business combination HK$'000	Accelerated tax and accounting depreciation HK$'000	Dividend withholding tax HK$'000	Fair value adjustments on investment properties HK$'000	Others HK$'000	Total HK$'000
At 1 April 2015	66,595	(1,549)	19,966	—	(2,756)	82,256
(Credit) charge to profit or loss	(3,400)	5	7,165	—	93	3,863
Charge to revaluation reserve	—	—	—	2,106	—	2,106
Exchange differences	(2,344)	—	(833)	(57)	—	(3,234)
At 31 March 2016	60,851	(1,544)	26,298	2,049	(2,663)	84,991
(Credit) charge to profit or loss	(3,222)	211	5,138	—	128	2,255
Exchange differences	(3,384)	—	(1,550)	(124)	—	(5,058)
At 31 March 2017	54,245	(1,333)	29,886	1,925	(2,535)	82,188

At the end of the reporting period, the Group had unused tax losses of HK$227,151,000 (2016: HK$158,751,000) available for offset against future profits. Tax losses of HK$6,664,000 were released on deregistration of a subsidiary for the year ended 31 March 2016. No deferred tax asset on the unused tax losses of HK$227,423,000 (2016: HK$158,751,000) has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has other deductible temporary differences of HK$48,362,000 (2016: HK$49,658,000) and HK$133,191,000 (2016: HK$104,662,000) in respect of accelerated accounting depreciation and unrealised fair value losses on derivative financial instruments, respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

34. MAJOR NON-CASH TRANSACTIONS

Details of scrip dividends in lieu of cash are set out in Note 30.

35. PLEDGE OF ASSETS

The carrying values of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2017 HK$'000	2016 HK$'000
Property, plant and equipment	**155,562**	180,203
Prepaid lease payments	**145,926**	150,525
Investment properties	**32,000**	55,500
Other assets	**7,124**	7,124
	340,612	393,352

36. COMMITMENTS

(i) Capital commitments

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	**11,597**	49,393

(ii) Operating lease commitments

The Group as lessee

	2017 HK$'000	2016 HK$'000
Minimum lease payments paid under operating leases in respect of office premises and warehouses during the year	**12,393**	12,900

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

	2017 HK$'000	2016 HK$'000
Within one year	**11,237**	11,441
In the second to fifth year inclusive	**20,298**	16,047
	31,535	27,488

36. COMMITMENTS *(continued)*

(ii) Operating lease commitments *(continued)*

The Group as lessee *(continued)*

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

Included in the above are lease commitments to related parties as follows:

	2017 HK$'000	2016 HK$'000
Within one year	1,596	1,262
In the second to fifth year inclusive	446	612
	2,042	1,874

The relevant expenses for the year is disclosed in Note 37(i).

(iii) Operating lease arrangement

The Group as lessor

Rental income earned from investment properties, and plant and machinery during the year was HK$26,703,000 (2016: HK$25,366,000).

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

	2017 HK$'000	2016 HK$'000
Within one year	20,775	29,058
In the second to fifth year inclusive	5,045	48,728
In more than five years	—	5,755
	25,820	83,541

37. RELATED PARTY DISCLOSURES

The Group entered into the following transactions with related parties:

(i) During the year ended 31 March 2017, the Group paid operating lease rental of HK$984,000 (2016: HK$984,000) to Verdure Enterprises Limited ("Verdure"). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the year ended 31 March 2017, the Group paid operating lease rental of HK$816,000 (2016: HK$204,000) to Takemain Development Limited ("Takemain"). Takemain is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

During the year ended 31 March 2016, the Group paid operating lease rental of HK$612,000 to Rich Trade Development Limited ("Rich Trade"). Rich Trade is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

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

	2017 HK$'000	2016 HK$'000
Short-term benefits	26,516	24,060
Post employment benefits	302	277
	26,818	24,337

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

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 29, net of cash and cash equivalents disclosed in Note 26, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

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

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	4,598,403	3,850,225
FVTPL		
Restricted bank deposit	60,136	60,324
Derivative financial instrument	529	—
Available-for-sale investments	17,924	1,694
Financial liabilities		
Amortised cost	5,728,947	4,791,708
FVTPL		
Derivative financial instruments	155,124	126,782

39. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

	2017 **HK$'000**	2016 HK$'000
HK$	**1,612**	25,227
RMB	**115,069**	79,207

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

39. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2016: 5%) fluctuation of exchange rate of the functional currency of the relevant group entities against RMB. This sensitivity analysis includes only outstanding monetary items where the denomination of the amount is in a currency other than the functional currency of the relevant group entities at the end of the reporting period and adjusts their translation for a 5% exchange rate when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. If the functional currency of the relevant group entities weakens against the foreign currencies by 5%, the Group's post-tax profit for the year would increase by:

	2017 HK$'000	2016 HK$'000
Gain in relation to:		
RMB	4,804	3,307

As set out in Note 24, at the end of the reporting period, the Group had outstanding structured foreign currency forward contracts which also expose the Group to currency fluctuation risks.

All structured foreign currency forward contracts are to hedge the rise of RMB against US$. Based on the terms of these contracts, if at 31 March 2017, (i) RMB had weakened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been reduced by HK$64,365,000 (2016: HK$158,378,000) and (ii) RMB had strengthened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been increased by HK$57,115,000 (2016: HK$99,272,000). In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used involves multiple variables and certain variables which are interdependent.

No sensitivity analysis is presented for the restricted bank deposit as the impact of change in exchange rate on the fair value is insignificant. Details of the restricted bank deposit is set out in Note 19.

39. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and balances and bank borrowings (see Notes 26 and 29 for details). The management monitors interest rate exposure and considers hedging significant interest rate exposure. The Group has entered into interest rate swap and interest rate collars (see Note 24) which, however, are not qualified for applying hedge accounting.

All bank borrowings (Note 29) carry variable-rates interest determined by reference to the prevailing market rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and the PBOC Prescribed Rate arising from the Group's bank borrowings.

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease by HK$14,812,000 (2016: HK$12,283,000) or increase by HK$14,796,000 (2016: HK$12,283,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank balances, bank borrowings, interest rate swap and interest rate collars.

39. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

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

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

Liquidity risk

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

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

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

39. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

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

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2017 HK$'000
2017							
Non-derivative financial liabilities							
Trade, bills and other payables	–	264,000	277,840	134,738	305	676,883	676,881
Bank borrowings	2.43%	2,606,930	153,875	–	2,418,512	5,179,317	5,052,066
		2,870,930	431,715	134,738	2,418,817	5,856,200	5,728,947
Derivative — net settlement							
Structured foreign currency forward contracts	–	7,407	22,248	74,970	47,967	152,592	151,037
Interest rate swap	–	–	264	696	1,879	2,839	2,761
Interest rate collars	–	–	–	123	1,235	1,358	1,326
		7,407	22,512	75,789	51,081	156,789	155,124

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2016 HK$'000
2016							
Non-derivative financial liabilities							
Trade, bills and other payables	–	185,429	191,482	49,183	–	426,094	426,094
Bank borrowings	2.36%	1,704,119	122,671	23,245	2,678,087	4,528,122	4,365,614
		1,889,548	314,153	72,428	2,678,087	4,954,216	4,791,708
Derivative — net settlement							
Structured foreign currency forward contracts	–	2,538	4,817	40,201	76,020	123,576	122,150
Interest rate swap	–	–	299	788	3,673	4,760	4,632
		2,538	5,116	40,989	79,693	128,336	126,782

39. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

Bank loans with a repayable on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2017 and 31 March 2016, the aggregate outstanding principal amounts of these bank loans amounted to HK$1,934,301,000 and HK$1,602,700,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be fully repaid in accordance with the scheduled repayment dates set out in the loan agreements, as follows.

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

	Weighted average effective interest rate	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2017							
Bank borrowings	2.23%	843,089	952,108	60,269	87,421	1,942,887	1,934,301
2016							
Bank borrowings	2.54%	682,223	556,134	275,262	101,933	1,615,552	1,602,700

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

39. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments

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

Fair value of financial instruments that are measured at fair value on a recurring basis

The Group's restricted bank deposit, derivative financial instruments and one of the available-for-sale investments are measured at fair value at the end of each reporting period. The Group's available-for-sale investment of HK$2,014,000 at 31 March 2017 (2016: HK$1,694,000) is measured based on quoted price from a financial institution. The valuation technique uses observable and unobservable inputs. As the changes in any of those observable or unobservable inputs in the valuation would not lead to significant impact to the financial results of the Group, fair value hierarchy, key inputs used in the valuation technique and sensitivity of the fair value measurement to change in those inputs are not presented. The following table gives information about how the fair values of restricted bank deposit and derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value as at 31 March 2017	Fair value as at 31 March 2016	Fair value hierarchy	Valuation technique and key inputs
Restricted bank deposit (note 1)	**Assets — HK$60,136,000**	Assets — HK$60,324,000	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rates, time to maturity, notional amount, payout amount for each settlement of the related structured foreign currency forward contract, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Structured foreign currency forward contracts classified as derivative financial instruments (note 2)	**Liabilities — HK$151,037,000 (Not designated for hedging)**	Liabilities — HK$122,150,000 (Not designated for hedging)	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rates, time to maturity, notional amount, payout amount for each settlement, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Interest rate collars classified as derivative financial instruments (note 3)	**Asset — HK$529,000** **Liability — HK$1,326,000 (Both not designated for hedging)**	Assets — Nil Liabilities — Nil	Level 3	Discounted cash flow method and Black-Scholes Model The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate and the average implied volatility of the interest rate as at valuation date
Interest rate swap classified as derivative financial instrument (note 4)	**Liability — HK$2,761,000 (Not designated for hedging)**	Liability — HK$4,632,000 (Not designated for hedging)	Level 2	Discounted cash flow method The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate

39. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments *(continued)*

Fair value of financial instruments that are measured at fair value on a recurring basis (continued)

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

note 2: The higher the average implied volatility of the exchange rate used, the lower the fair value. If the average implied volatility of the exchange rate is increased/decreased by 5% and held other variables constant, the Group's post-tax profit for the year would have been decreased/increased by HK$389,000/HK$733,000 (2016: HK$1,904,000/HK$1,960,000) respectively. If RMB weakened/strengthened against US$ by 5% and all variables were held constant, the Group's post-tax profit for the year would decrease by HK$64,365,000/increase by HK$57,115,000 (2016: decrease by HK$158,378,000/increase by HK$99,272,000) respectively. Due to the terms of the contracts, changes in the inputs adopted in the valuation model would lead to asymmetric changes in the fair values.

note 3: The higher the average implied volatility of the interest rate used, the lower the fair value. Changes in the average implied volatility of the interest rate used will have insignificant impact on the fair value of the interest rate collars.

note 4: The discounted cash flow method uses only observable market inputs.

There are no transfers among the different levels of the fair value hierarchy for both years.

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

Fair value hierarchy

	31 March 2017			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Restricted bank deposit	–	–	60,136	60,136
Derivative financial instrument	–	–	529	529
Available-for-sale investment				
Unlisted trust fund	2,014	–	–	2,014
Financial liabilities at FVTPL				
Derivative financial instruments	–	2,761	152,363	155,124

	31 March 2016			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Restricted bank deposit	–	–	60,324	60,324
Available-for-sale investment				
Unlisted trust fund	1,694	–	–	1,694
Financial liabilities at FVTPL				
Derivative financial instruments	–	4,632	122,150	126,782

39. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Restricted bank deposit HK$'000	Structured foreign currency forward contracts HK$'000	Interest rate collars HK$'000	Total HK$'000
At 1 April 2015	94,396	(92,808)	—	1,588
Amount received during the year	—	(4,221)	—	(4,221)
Placement of restricted bank deposits	61,922	—	—	61,922
Withdrawal of restricted bank deposits	(94,550)	—	—	(94,550)
Fair value gains (losses) (note):				
— realised	765	66,053	—	66,818
— unrealised	(1,599)	(91,174)	—	(92,773)
Exchange difference	(610)	—	—	(610)
At 31 March 2016	60,324	(122,150)	—	(61,826)
Amount paid during the year	—	98,225	—	98,225
Fair value losses (note):				
— realised	—	(94,861)	—	(94,861)
— unrealised	(188)	(32,251)	(797)	(33,236)
At 31 March 2017	**60,136**	**(151,037)**	**(797)**	**(91,698)**

note: The amount is included in net gain on fair value change of derivative financial instruments and restricted bank deposits of "other gains and losses" in Note 7.

Fair value measurements and valuation process

The Group determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 input is not available, the Group engages an independent qualified professional valuer not connected with the Group to perform the valuation for financial instruments that are measured at fair value on a recurring basis. The financial controller works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

The Group engages Roma (2016: Greater China Appraisal Limited), an independent qualified professional valuer not connected with the Group, to perform the valuations of the restricted bank deposit, structured foreign currency forward contracts, interest rate collars and interest rate swap required for financial reporting purposes, including Level 2 and 3 fair value measurements of financial instruments. As a part of the valuation process, the financial controller reports the findings to the Board semi-annually, in line with the Group's interim and annual reporting dates.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage: Attributable to the Group 2017	Attributable to the Group 2016	Held by the Company 2017	Held by the Company 2016	Held by subsidiaries 2017	Held by subsidiaries 2016	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	100	100	–	–	100	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	100	100	–	–	100	100	Trading of dyed yarn
Elite Sound Investment Limited	Hong Kong	Ordinary HK$1	100	100	–	–	100	100	Investment holding
FG Holdings (note v)	British Virgin Islands	Ordinary US$100	51	51	–	–	100	100	Investment holding
FG International (note v)	Hong Kong	Ordinary HK$5,000,000	51	51	–	–	100	100	Trading of garment products
Global Honour Investments Limited	British Virgin Islands	Ordinary US$1	100	100	–	–	100	100	Investment holding
Glory Time Limited (deregistered on 15 September 2016) (note v)	Hong Kong	Ordinary HK$100	–	35.7	–	–	–	70	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	100	100	–	–	100	100	Provision of management services
PT. Victory Apparel Semarang (note v)	Indonesia	Ordinary US$300,000	51	51	–	–	100	100	Manufacture of garment products
Sure Strategy	British Virgin Islands	Ordinary US$100	51	51	–	–	51	51	Investment holding
Value Plus (Macao Commercial Offshore) Limited (note v)	Macau	MOP100,000	51	51	–	–	100	100	Procurement of fabric
Victory Apparel (Jordan) Manufacturing Company Limited (disposed on 1 August 2016) (note v)	Jordan	Ordinary JD50,000	–	51	–	–	–	100	Manufacture of garment products
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred HK$8,000,000 (note i)	100	100	–	–	100	100	Trading of knitted fabric
VC Holdings	British Virgin Islands	Ordinary US$6	100	100	100	100	–	–	Investment holding
VC Investments	British Virgin Islands	Ordinary US$1	100	100	100	100	–	–	Investment holding
VC Overseas	British Virgin Islands	Ordinary US$2 Preference US$3,300 (note ii)	100	100	–	–	100	100	Investment holding
江門市新會區冠華針織廠有限公司 ("Xinhui Victory City") (note iii)	PRC	US$57,694,165	100	100	–	–	100	100	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 (note iii)	PRC	US$8,230,182	100	100	–	–	100	100	Dyeing of yarn and provision of related subcontracting services
Jiangmen V-Apparel Manufacturing Ltd. (notes iii and v)	PRC	Registered HK$31,260,000	51	51	–	–	100	100	Manufacture of garment products
福之源貿易（上海）有限公司 (notes iii and v)	PRC	Registered RMB1,000,000	51	51	–	–	100	100	Trading of garment products and accessories
江門市冠達化工科技有限公司 (formerly known as 江門市冠達紡織材料有限公司) (note iii)	PRC	(note iv)	90	90	–	–	90	90	Mixing of chemicals
Nanjing Synergy Textiles Limited (note iii)	PRC	Registered US$39,000,000	100	100	–	–	100	100	Manufacture and trading of yarn

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

notes:

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

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

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

(iv) The company is a co-operative joint venture established in the PRC. The verified paid up registered capital of 江門市冠達化工科技有限公司 (formerly known as 江門市冠達紡織材料有限公司) was approximately RMB46,000,000 as at 31 March 2017 and 2016.

(v) The companies are subsidiaries of Sure Strategy, over which the Company has indirect control.

None of the subsidiaries had any debt securities subsisting at 31 March 2017 or at any time during the year.

The above table only lists those subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or net assets of the Group. In addition, the Group has 25 (2016: 29) inactive/dormant subsidiaries. To give details of these inactive/dormant subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

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

Name of subsidiary	**Place of incorporation and principal place of business**	**Proportion of ownership interest and voting rights held by non-controlling interests**		**(Loss) profit allocated to non-controlling interests**		**Accumulated non-controlling interests**	
		2017	2016	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Sure Strategy	British Virgin Islands	**49%**	49%	**(97,298)**	7,568	**51,625**	148,466
Individually immaterial subsidiaries with non-controlling interests						**5,529**	5,568
						57,154	154,034

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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Sure Strategy

	2017 HK$'000	2016 HK$'000
Current assets	323,516	478,384
Non-current assets	148,723	189,250
Current liabilities	412,984	411,838
Non-current liabilities	4,448	4,283
Equity attributable to owners of the Company	3,182	103,047
Non-controlling interests	51,625	148,466
Revenue	685,351	810,899
Expenses, other income and other gains or losses	(882,944)	(793,313)
(Loss) profit for the year	(197,593)	17,586
Other comprehensive income for the year	887	3,105
Total comprehensive (expense) income for the year	(196,706)	20,691
(Loss) profit for the year attributable to non-controlling interests	(97,298)	7,568
Total comprehensive (expense) income for the year attributable to the non-controlling interests	(96,841)	9,288
Dividends paid to non-controlling interests	—	—

41. INFORMATION OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 March 2017 is as follows:

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investment in subsidiaries	2,512,334	2,512,334
Property, plant and equipment	402	625
	2,512,736	2,512,959
Current assets		
Prepayment and other receivables	2,772	1,645
Amounts due from subsidiaries	2,016,653	1,156,369
Bank balances	1,065	388
	2,020,490	1,158,402
Current liabilities		
Other payables	3,442	3,011
Amounts due to subsidiaries	211,302	113,302
Dividend payable	191	197
	214,935	116,510
Net current assets	1,805,555	1,041,892
Net assets	4,318,291	3,554,851
Capital and reserves		
Share capital	41,937	22,722
Share premium and reserves (note)	4,276,354	3,532,129
Total equity	4,318,291	3,554,851

41. INFORMATION OF FINANCIAL POSITION OF THE COMPANY *(continued)*

note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2015	1,882,360	39	25,093	—	1,273,716	3,181,208
Profit for the year	—	—	—	—	198,448	198,448
2015 Final dividend declared (Note 11)	—	—	—	55,938	(55,938)	—
2015 Special dividend declared (Note 11)	—	—	—	74,585	(74,585)	—
2016 Interim dividend declared (Note 11)	—	—	—	87,348	(87,348)	—
Issue of shares under scrip dividend for 2015 final dividend	15,341	—	—	(15,492)	—	(151)
Issue of shares under scrip dividend scheme for 2015 special dividend	17,272	—	—	(17,442)	—	(170)
Issue of shares under scrip dividend for 2016 interim dividend	1,851	—	—	(1,876)	—	(25)
Dividends paid in cash	—	—	—	(183,061)	—	(183,061)
Issue of shares upon exercise of share options	2,570	—	(601)	—	—	1,969
Issue of shares upon subscription of shares (Note 30)	333,911	—	—	—	—	333,911
At 31 March 2016	2,253,305	39	24,492	—	1,254,293	3,532,129
Profit for the year	—	—	—	—	158,584	158,584
2016 Final dividend declared (Note 11)	—	—	—	27,722	(27,722)	—
Issue of shares under scrip dividend for 2016 final dividend	7,096	—	—	(7,332)	—	(236)
Dividends paid in cash	—	—	—	(20,390)	—	(20,390)
Recognition of equity-settled share-based payments (Note 32)	—	—	21,246	—	—	21,246
Rights issue (Note 30)	332,621	—	—	—	—	332,621
Issue of shares upon subscription of shares (Note 30)	252,400	—	—	—	—	252,400
At 31 March 2017	**2,845,422**	**39**	**45,738**	**—**	**1,385,155**	**4,276,354**

42. EVENT AFTER REPORTING PERIOD

The following event took place after the reporting period:

On 25 April 2017, the Company entered into a subscription agreement with Pearl Garden and Madian Star, both are Shareholders, as subscribers in relation to the issue of convertible bonds in an aggregate principal amount of HK$400,000,000 due on the date falling 24 months after the date of issuance of the convertible bonds. The initial conversion price is HK$0.30 per conversion Share, subject to adjustments set out in the instruments constituting the convertible bonds. The convertible bonds bear interest at the rate of 5% per annum payable semi-annually. Upon full conversion of the convertible bonds at the initial conversion price, a total of 1,333,333,334 conversion Shares will be issued. Details of this issuance of convertible bonds are set out in the circular of the Company dated 13 June 2017.

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
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