2020 Annual Report 年報

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
China Construction Bank (Asia) Corporation Limited
First Commercial Bank Limited
CTBC Bank Co., Ltd.
Fubon Bank (Hong Kong) Limited
China Construction Bank (Jiangmen Xinhui Sub-branch)
Bank of China (Jiangmen Xinhui Sub-branch)
Cathay United Bank Company, Limited
DBS Bank (Hong Kong) Limited

Corporate Information

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 54, 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				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	4,911,216	4,939,904	4,960,298	5,413,027	**4,564,269**
Profit before taxation	282,400	137,732	348,579	293,524	**218,518**
Income tax expense	(32,880)	(24,156)	(29,386)	(22,017)	**(50,526)**
Profit for the year	249,520	113,576	319,193	271,507	**167,992**
Attributable to:					
Owners of the Company	241,811	135,526	330,131	284,412	**173,408**
Non-controlling interests	7,709	(21,950)	(10,938)	(12,905)	**(5,416)**
	249,520	113,576	319,193	271,507	**167,992**
Distributions	217,871	27,722	—	50,317	**—**

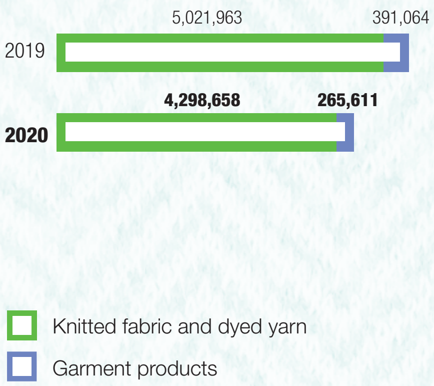
ASSETS AND LIABILITIES

	At 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	10,799,123	11,925,166	13,345,296	13,261,277	**12,411,025**
Total liabilities	(5,184,525)	(6,167,903)	(6,371,360)	(6,456,510)	**(5,813,010)**
	5,614,598	5,757,263	6,973,936	6,804,767	**6,598,015**
Equity attributable to:					
Owners of the Company	5,460,564	5,700,109	6,934,647	6,779,295	**6,580,106**
Non-controlling interests	154,034	57,154	39,289	25,472	**17,909**
	5,614,598	5,757,263	6,973,936	6,804,767	**6,598,015**

Financial Highlights and Summary

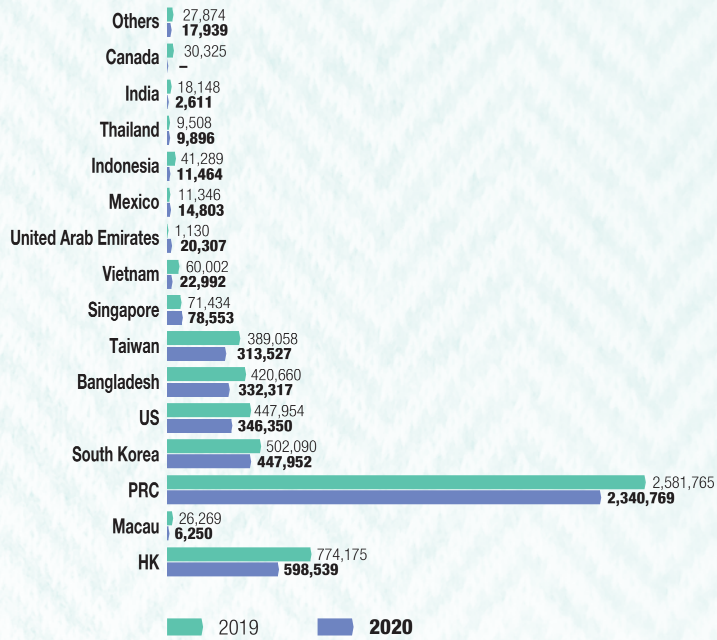
REVENUE BY BUSINESS SEGMENTS

HK$'000

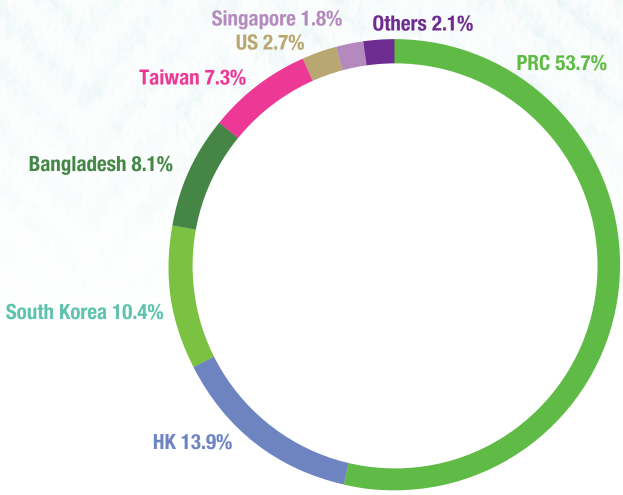


REVENUE BY GEOGRAPHICAL SEGMENTS

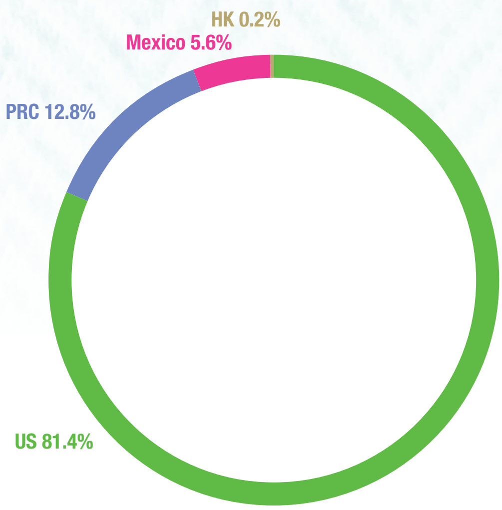
HK$'000



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 subsidiaries (the "Group"), I am pleased to present the annual results for the year ended 31 March 2020.

DIVIDENDS

The Directors have resolved not to declare any final dividend for the year ended 31 March 2020 (2019: Nil).

BUSINESS REVIEW

For the financial year of 2019/20, amid the unfavourable operating conditions of a complex and ever-changing market situation and a continuously deteriorating business environment, the financial performance of the Group was inevitably affected.

For the year ended 31 March 2020, the Group's audited consolidated revenue was approximately HK$4,564 million, representing a decrease of approximately 15.7% as compared to the previous corresponding period (2019: HK$5,413 million). Gross profit decreased by approximately 24.5% to approximately HK$750 million (2019: 994 million). Profit attributable to owners of the Company amounted to approximately HK$173 million, which included gain on disposal of right-of-use assets of approximately HK$57 million (2019: Nil), gain on modification of convertible bonds of approximately HK$25 million (2019: Nil), gain on fair value change of investment properties of approximately HK$17 million (2019: HK$3 million), net gain on fair value change of financial assets of approximately HK$2 million (2019: HK$3 million), share-based payment of approximately HK$15 million (2019: Nil), impairment loss on property, plant and equipment of approximately HK$48 million (2019: Nil), additional accrued convertible bond interest of approximately HK$22 million (2019: HK$20 million) and provision of land appreciation tax of approximately HK$68 million (2019: Nil). Hence, profit for core operations for the year ended 31 March 2020 was approximately HK$225 million after adjusting the above-mentioned non-operating gains and losses, representing a year-on-year decrease of approximately 22.1% (2019: HK$289 million). Basic earnings per share was HK22.7 cents (2019: HK55.9 cents).

Chairman's Statement

Textile Business

For the year ended 31 March 2020, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 94.2% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK$4,299 million, representing a decline of approximately 14.4% from the previous corresponding period (2019: HK$5,022 million).

During the first half of the financial year, the downward trend of cotton price together with the slowdown in order book resulted from the trade war between the United States of America (the "US") and the People's Republic of China (the "PRC") hit the revenue of the Group. The outbreak of COVID-19 since early 2020 has got great impact to global economic activities. The unexpected production disruption of the core fabric manufacturing base in Xinhui including the extension of the Lunar New Year holiday brought by the relevant government authorities led to the decrease in production output. In addition, the Group has experienced gradual cancellation of orders as well as delay in shipment of goods due to suspension of business operation of corporations and closure of shops across the world. Under such adverse business environment and market situation, the business performance for the first half of 2020 will inevitably be affected.

Nanjing Synergy Textiles Limited ("Nanjing Synergy") has ceased its yarn spinning production since early 2020 to cooperate with the land resumption policy of the People's Government of Jianging District, Nanjing. All employees have been duly compensated and demobilised according to local rules and regulations. The machineries in the production plant were being sold or transferred smoothly and the process is expected to complete in the second half of 2020. As the production of the yarn spinning mill only catered for less than 10% of the monthly consumption of the Group, the stoppage of production in Nanjing Synergy does not have significant effect on the yarn procurement of the Group.

Garment Business

For the financial year ended 31 March 2020, revenue of the garment business was approximately HK$266 million, with a decrease of approximately 32.0% from approximately HK$391 million last year. The decrease was mainly attributable to the further consolidation of clientele to focus on customers providing steady order flows and profit margin.

There was a net loss of approximately HK$16 million for the year ended 31 March 2020, compared to a net loss of HK$27 million last year. The decrease in net loss was mainly attributable to a non-recurring gain of approximately HK$9 million on fair value adjustment on investment properties and there was an amount of approximately HK$6 million of goodwill written-off for the production base in the PRC last year that did not occur in this reporting period.

Major Movement

Completion of a rights issue of a total of 2,589,706,603 rights shares with net proceeds of approximately HK$249.3 million

On 18 April 2019, the Company issued and allotted 2,589,706,603 ordinary shares of HK$0.01 each of the Company at a subscription price of HK$0.098 each, by way of rights issue (the "Rights Issue") in the proportion of one rights share for every two shares held on 15 March 2019. The net proceeds of (i) approximately HK$100 million was intended to be used for construction of new electron beam wastewater treatment facilities; (ii) approximately HK$70 million for construction of a new boiler; and (iii) approximately HK$79.3 million as general working capital. The net proceeds have been used as intended.

For details of the use of proceeds from the Rights Issue, please refer to the announcement of the Company dated 19 February 2019 and the prospectus of the Company dated 26 March 2019.

Completion of the Share Consolidation

On 2 May 2019, the Board proposed to (i) implement the share consolidation (the "Share Consolidation") on the basis that every ten (10) issued and unissued shares of HK$0.01 each of the Company be consolidated into one (1) consolidated share of HK$0.10 each (the "Consolidated Shares"); and (ii) change the board lot size (the "Change in Board Lot Size") for trading on the Stock Exchange from 2,000 Shares to 4,000 Consolidated Shares. As all conditions precedent of the Share Consolidation have been fulfilled as at 21 June 2019, the Share Consolidation and the Change in Board Lot Size have taken effect on 24 June 2019. For further details, please refer to the circular of the Company dated 5 June 2019 and the announcement of the Company dated 21 June 2019.

Redemption of convertible bonds by way of issue of new convertible bonds in the aggregate principal amount of HK$400,000,000

On 28 June 2019, the Company issued convertible bonds to its two major shareholders of the Company (the "Shareholders"), Pearl Garden Pacific Limited ("Pearl Garden") and Madian Star Limited ("Madian Star"), in an aggregate principal amount of HK$400,000,000 (the "June Convertible Bonds") with the rights to convert into 3,773,584,906 shares at the initial conversion price of HK$0.106 per convertible share, which has been adjusted to be converted into 377,358,490 ordinary shares of HK$0.1 each of the Company (the "Shares") at the adjusted conversion price of HK$1.06 per convertible share upon share consolidation. The proceeds from the issue of the June Convertible Bonds were used to redeem the convertible bonds issued to Pearl Garden and Madian Star in an aggregate principal amount of HK$400,000,000 on 22 September 2017. Please refer to the announcement of the Company dated 26 April 2019 and the circular of the Company dated 5 June 2019 for further information.

The issue of the June Convertible Bonds signified strong support from the Company's major Shareholders to the Group and their confidence in the prospects and development of the Group.

Completion of issue of convertible bonds in the principal amount of HK$64,000,000 with net proceeds of approximately HK$63.7 million

On 13 August 2019, the Company issued convertible bonds to Mr. Wang Chia Po, an independent third party, in a principal amount of HK$64,000,000 (the "August Convertible Bonds") with the rights to convert into 100,000,000 Shares at the initial conversion price of HK$0.64 per convertible share. The net proceeds of approximately HK$63.7 million from the issue of the August Convertible Bonds were reserved for the construction of manufacturing base for fabric production in Bangladesh (the "Expansion"). Please refer to the announcement of the Company dated 1 August 2019 for further information.

Completion of issue of convertible bonds in the principal amount of HK$65,000,000 with net proceeds of approximately HK$64.7 million

On 23 October 2019, the Company issued convertible bonds to Mr. Wong Shu Fat, an independent third party, in a principal amount of HK$65,000,000 (the "October Convertible Bonds") with the rights to convert into 100,000,000 Shares at the initial conversion price of HK$0.65 per convertible share. The net proceeds of approximately HK$64.7 million from the issue of the October Convertible Bonds were reserved for the construction of manufacturing base for fabric production in Bangladesh. Please refer to the announcement of the Company dated 14 October 2019 for further information.

PROSPECTS

The business environment for the year 2020/21 is full of challenges and uncertainty mainly due to the impact brought by COVID-19. The time taken for full recovery of the global economy is unknown. As said, business performance of the Group for the first half of 2020/21 will undoubtedly be affected. The management expects the rebound of fabric demands would take place when the worldwide economic activities are back to normal. The Directors will continue to closely monitor the situation and take effective measures to overcome the challenges.

Facing such difficult business environment, the Directors decided to defer the expansion plan of constructing a new fabric manufacturing plant in Bangladesh. The expansion plan is anticipated to resume at the appropriate time.

Given the recurring operating loss of the garment segment, the Group has made adjustments to its operating strategy. In the past two financial years, the Group disposed of two production bases in Indonesia and Cambodia respectively in order to reduce loss. In light of the ongoing COVID-19 that has significant impact on the garment businesses in the US, the Group will continue to critically review the garment customer portfolio and may make downward adjustments in the garment segment to mitigate the loss that negatively impacts the Group's profitability as a whole.

Under the current difficult business environment, the Directors made concrete adjustments to the Group's operation strategy, optionally capitalised the production capacity and devoted more resources to developing and refining products. The Group is well-positioned to face all challenges ahead and to bring the most satisfactory return to the Shareholders.

Chairman's Statement

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
30 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2020 amounted to approximately HK$4,564 million, represented a decrease of approximately 15.7% as compared to last year. Revenue contributed by the textile segment was approximately HK$4,299 million, representing a drop of approximately 14.4% from the previous year, mainly attributable to the slowdown in order book resulted from the trade war between the US and the PRC and the adverse impact of COVID-19 to the global economy. Revenue contributed by the garment segment was approximately HK$266 million, representing a decrease of approximately 32.0% from last year, mainly due to further consolidation of clientele to focus on customers with steady profit margin.

Other income mainly comprised interest income of approximately HK$83.9 million (2019: HK$45.6 million), sample and scrap sales of approximately HK$15.1 million (2019: HK$7.7 million) and rental income of approximately HK$23.0 million (2019: HK$23.3 million).

Other gains and losses mainly comprised of gain on disposal of land in Nanjing of approximately HK$60.5 million. On the other hand, there was an impairment loss on property, plant and equipment of HK$47.9 million in relation to the cease of operation of the Nanjing spinning plant. In addition, there were net gain on modification of convertible bonds of approximately HK$25.2 million and net gain on fair value change of investment properties of approximately HK$23.2 million.

Finance costs were approximately HK$232.3 million in 2020 as compared to approximately HK$230.8 million in 2019. The Group has used its best endeavour in obtaining favourable banking facilities with its bankers so as to reduce its finance costs.

Income tax expense increased from approximately HK$22.0 million in 2019 to approximately HK$50.5 million in 2020 mainly attributable to the provision of land appreciation tax of HK$67.8 million for the disposal of land in Nanjing.

Liquidity and Financial Resources

As at 31 March 2020, the Group had total assets of approximately HK$12,411 million (2019: HK$13,261 million) which were financed by current liabilities of approximately HK$3,876 million (2019: HK$3,917 million), long term liabilities of approximately HK$1,937 million (2019: HK$2,540 million) and shareholders' equity of approximately HK$6,580 million (2019: HK$6,779 million). The current ratio was approximately 1.9 (2019: 2.0) 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 40.3% (2019: 39.5%). 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$"), Renminbi ("RMB") and US dollars ("US$"). 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$625 million on additions to property, plant and equipment.

As at 31 March 2020, the Group had capital commitments of approximately HK$36 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 2020, certain property, plant and equipment, investment properties and life insurance policies of the Group with net book value of approximately HK$218 million (2019: HK$446 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 31 March 2020, the total number of employees of the Group was approximately 3,610 in the PRC and approximately 95 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 20.1% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 5.1%.

Purchase from the five largest suppliers of the Group accounted for approximately 19.2% 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 conduct the Expansion by forming a joint venture where it is expected that a production plant with wastewater treatment facilities will be constructed in Bangladesh and will be used for fabric production. However, due to the recent unpredictability of the global economy caused by COVID-19 outbreak, the management has decided to defer the Expansion. As the COVID-19 outbreak has caused a global recession and has significantly increased economic and demand uncertainty, the management cannot assess when the Expansion will be implemented or whether it will be implemented at all. The management will closely monitor the economic impact caused by COVID-19 outbreak and will assess prudently the viability of the Expansion by considering the then economic environment in the future. For further details, please refer to the circular of the Company dated 18 June 2020.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Ming Hung, aged 69, is the Chairman of the Company and a co-founder of the Group. He has over 43 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. Chen Tien Tui, aged 71, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 41 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. Lee Yuen Chiu Andy, aged 55, is an executive Director. He has over 34 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 58, is an executive Director. He holds a Master degree in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr. Choi has over 9 years banking experience and 6 years management experience in garment and textile industry. Mr. Choi is the chairman of the board of directors and the chief executive officer of Jerash Holdings (US) Inc., a company listed on the NASDAQ Stock Market (NASDAQ: JRSH).

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 69, 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 72, 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 resigned from his position as an independent non-executive director of Eagle Ride Investment Holdings Limited on 1 October 2019, a company listed on the Main Board of the Stock Exchange, and retired the position of the chief financial officer of Analogue Holdings Limited on 1 January 2020, a company listed on the Main Board of the Stock Exchange. Mr. Phaisalakani joined the Group in 1996.

Profiles of Directors and Senior Management

Mr. Kwok Sze Chi, aged 65, 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 40 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 analyse stock market developments. He also provides professional investment analyses in newspapers and investment websites. Mr. Kwok resigned from 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 53, 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 31 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 65, 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 66, 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 47, 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 2020.

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 45 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 43 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 74. The Directors have resolved not to declare any final dividend for the year ended 31 March 2020.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$625,480,000 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 2020, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$1,948,740,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 36 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. Lee Yuen Chiu Andy and Mr. Kwok Sze Chi will retire as Directors by rotation at the 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 41 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 41 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 2020, 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 2020 and up to the date of this report, the Company has in force permitted indemnity provisions for the benefit of the Directors.

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions as disclosed in Note 41 to the consolidated financial statements. All of such transactions constituted connected transaction or continuing connected transactions of the Company. For transactions that constitute continuing connected transactions, they are fully exempted under Rule 14A.76(1) of the Listing Rules. The Company has complied with Chapter 14A of the Listing Rules in respect of all related party transactions as disclosed in Note 41 to the consolidated financial statements that constitute connected transaction or continuing connected transactions of the Company.

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 2020, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	293,246,645 Shares (L) (Notes 2 & 4)	–	37.75%
	The Company	Beneficial owner	–	40,000 Shares (L) (Note 5)	0.005%
	Victory City Company Limited ("VC Company") (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	293,246,645 Shares (L) (Notes 3 & 4)	–	37.75%
	The Company	Beneficial owner	549,000 Shares (L) (Note 6)	–	0.07%
	The Company	Beneficial owner	–	40,000 Shares (L) (Note 5)	0.005%
	VC Company (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%
Lee Yuen Chiu Andy	The Company	Beneficial owner	–	500,000 Shares (L) (Note 5)	0.06%

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
Choi Lin Hung	The Company	Beneficial owner	2,100,000 Shares (L) (Note 7)	–	0.27%
	The Company	Beneficial owner	–	5,000,000 Shares (L) (Notes 5 and 8)	0.64%
	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 9)	–	49%
	Ford Glory Holdings Limited ("FG Holdings") (Note 16)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 10)	–	100%
	FG International (Note 16)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (Note 15)	–	100%
	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 11)	–	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 Limited (Note 16)	Interest of controlled corporation	Registered capital of HK$31,260,000 (L) (Note 12)	–	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 13)	–	100%
	Talent Partner Holdings Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of US$1.00 each (L) (Note 15)	–	51%

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
	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%
	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%
Phaisalakani Vichai	The Company	Beneficial owner	1,248,000 Shares (L)	–	0.16%

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. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung family members. These Shares include (i) 104,567,400 Shares held by Pearl Garden; and (ii) 188,679,245 Shares to be issued upon full exercise of the conversion rights attached to the June Convertible Bonds issued to Pearl Garden on 28 June 2019 at an adjusted conversion price of HK$1.06 per conversion share.

3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members. These Shares include (i) 104,567,400 Shares held by Madian Star; and (ii) 188,679,245 Shares to be issued upon full exercise of the conversion rights attached to the June Convertible Bonds issued to Madian Star on 28 June 2019 at an adjusted conversion price of HK$1.06 per conversion share.

4. On 28 June 2019, the Company issued the June Convertible Bonds to each of Pearl Garden and Madian Star with a principal sum of HK$200,000,000 and HK$200,000,000 respectively for a term of two years. Each of Pearl Garden and Madian Star has the right to convert its portion of the June Convertible Bonds for 188,679,245 Shares at an adjusted conversion price for HK$1.06 per conversion Share upon full exercise of its conversion rights.

5. On 18 April 2019, Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung was granted 400,000, 400,000, 5,000,000 and 34,225,047 options respectively under the Scheme to subscribe for 400,000, 400,000, 5,000,000 and 34,225,047 Shares respectively, exercisable at a price of HK$0.1002 per share of the Company of HK$0.01 each during a period from 18 April 2019 to 17 April 2024. Upon completion of the Share Consolidation on 24 June 2019, the number of options owned by Mr. Li Ming Hung, Mr. Chen Tien Tui, Mr. Lee Yuen Chiu Andy and Mr. Choi Lin Hung was adjusted to 40,000, 40,000, 500,000 and 3,422,505 options respectively under the Share Option Scheme to subscribe for 40,000, 40,000, 500,000 and 3,422,505 Shares respectively, exercisable at an adjusted price of HK$1.002 per Share during a period from 18 April 2019 to 17 April 2024.

6. These Shares include 549,000 Shares beneficially owned by Mr. Chen Tien Tui.

7. These Shares include 2,100,000 Shares beneficially owned by Mr. Choi Lin Hung.

8. 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 of the Company of HK$0.01 each during a period from 12 October 2016 to 11 October 2021. Upon completion of the rights issue on 6 January 2017 and 18 April 2019, and the Share Consolidation on 24 June 2019, the number of options owned by Mr. Choi Lin Hung was adjusted to 1,577,495 to subscribe for 1,577,495 Shares, exercisable at an adjusted price of HK$3.72 per Share during a period from 12 October 2016 to 11 October 2021.

9. These shares were held by Merlotte Enterprise Limited ("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.

10. These shares were held by Sure Strategy.

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

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

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

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

15. These shares or these common shares, as the case may be, 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.

Save as disclosed above in this report, as at 31 March 2020, 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 2020, 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	293,246,645 (L)	Beneficial owner (Note 2)	37.75%
Cornice Worldwide Limited	293,246,645 (L)	Interest of controlled corporation (Note 2)	37.75%
Madian Star	293,246,645 (L)	Beneficial owner (Note 3)	37.75%
Yonice Limited	293,246,645 (L)	Interest of controlled corporation (Note 3)	37.75%
Fiducia Suisse SA	586,493,290 (L)	Trustee (Note 6)	75.50%
Mr. David Henry Christopher Hill	586,493,290 (L)	Interest of controlled corporation (Note 6)	75.50%
Ms. Rebecca Ann Hill	586,493,290 (L)	Interest of spouse (Note 7)	75.50%
Ms. Ho Yuen Mui Shirley	293,286,645 (L)	Interest of spouse (Note 4)	37.75%
Ms. Or Kwai Ying	293,835,645 (L)	Interest of spouse (Note 5)	37.82%
Mr. Wang Chia Po	100,000,000 (L)	Beneficial owner (Note 8)	12.87%
Ms. Or Min Min	100,000,000 (L)	Interest of spouse (Note 9)	12.87%
Mr. Wong Shu Fat	100,000,000 (L)	Beneficial owner (Note 10)	12.87%
Ms. Chan Sik Chi	100,000,000 (L)	Interest of spouse (Note 11)	12.87%
Mr. Wang Guo Feng	30,836,000 (L)	Beneficial owner (Note 12)	3.97%
	25,320,000 (L)	Founder of a trust (Note 12)	3.26%
Ms. Pong Kwong Fai	56,156,000 (L)	Interest of spouse (Note 12)	7.23%

Notes:

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

2. These Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members. Mr. Chen Tien Tui is a director of each of Pearl Garden and Cornice Worldwide Limited. These Shares include (i) 104,567,400 Shares held by Pearl Garden; and (ii) 188,679,245 Shares to be issued upon full exercise of the conversion rights attached to the June Convertible Bonds issued to Pearl Garden on 28 June 2019 at an adjusted conversion price of HK$1.06 per conversion share.

3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members. Mr. Li Ming Hung is a director of each of Madian Star and Yonice Limited. These Shares include (i) 104,567,400 Shares held by Madian Star; and (ii) 188,679,245 Shares to be issued upon full exercise of the conversion rights attached to the June Convertible Bonds issued to Madian Star on 28 June 2019 at an adjusted conversion price of HK$1.06 per conversion share.

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.

8. On 13 August 2019, the Company issued the August Convertible Bonds to Mr. Wang Chia Po, an independent third party, with a principal amount of HK$64,000,000 with the rights to convert into 100,000,000 Shares at the initial conversion price of HK$0.64 per convertible Share.

9. Ms. Or Min Min is the spouse of Mr. Wang Chia Po.

10. On 23 October 2019, the Company issued the October Convertible Bonds to Mr. Wong Shu Fat, an independent third party, with a principal amount of HK$65,000,000 with the rights to convert into 100,000,000 Shares at the initial conversion price of HK$0.65 per convertible Share.

11. Ms. Chan Sik Chi is the spouse of Mr. Wong Shu Fat.

12. Based on the disclosure of interests form filed by Mr. Wang Guo Feng on 24 March 2020, Mr. Wang Guo Feng was the beneficial owner of 30,836,000 Shares and was deemed to be interested in 25,320,000 Shares which were held by Forever Green Ltd, a company owned by the trustee of a discretionary trust of which Mr. Wang Guo Feng was the founder. Ms. Pong Kwong Fai is the spouse of Mr. Wang Guo Feng.

Save as disclosed above, so far as is known to the Directors, as at 31 March 2020, 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 38 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

For the year ended 31 March 2020, the Company has conducted/completed the following fund raising activities for cash:

Date of announcement/ circular/prospectus	Event	Number of Shares and issue/ conversion price (approximate)	Net proceeds and net price (approximate)	Closing price on the date of signing of the agreement	Intended use of proceeds as announced	Actual use of proceeds
19 February 2019, 13 March 2019, 26 March 2019 and 17 April 2019	Rights issue	2,589,706,603 Shares with an aggregate nominal value of HK$25,897,066 and HK$0.098 per Share (before Share Consolidation)	HK$249.3 million and HK$0.096 per Share (before Share Consolidation)	HK$0.115 (before Share Consolidation)	(i) Approximately HK$100 million for construction of new electron beam wastewater treatment facilities; (ii) approximately HK$70 million for construction of a new boiler; and (iii) approximately HK$79.3 million as general working capital	All net proceeds have been used as intended.
26 April 2019, 5 June 2019 and 28 June 2019	Issue of convertible bonds	Convertible into 3,773,584,906 Shares at the initial conversion price of HK$0.106 per conversion share before Share Consolidation and 377,358,490 Shares at the adjusted conversion price of HK$1.06 per conversion share after Share Consolidation with an aggregate nominal value of HK$37,735,849	HK$400 million and HK$0.106 per conversion share (before Share Consolidation)	HK$0.096 (before Share Consolidation)	All net proceeds for the redemption of convertible bonds in the principal amount of HK$400 million issued by the Company on 22 September 2017.	All net proceeds have been used for the redemption of convertible bonds in the principal amount of HK$400 million issued by the Company on 22 September 2017.

Date of announcement/ circular/prospectus	Event	Number of Shares and issue/ conversion price (approximate)	Net proceeds and net price (approximate)	Closing price on the date of signing of the agreement	Intended use of proceeds as announced	Actual use of proceeds
1 August 2019 and 13 August 2019	Issue of convertible bonds	Convertible into 100,000,000 Shares at the initial conversion price of HK$0.64 per conversion share with an aggregate nominal value of HK$10,000,000 (after Share Consolidation)	HK$63.7 million and HK$0.637 per conversion share (after Share Consolidation)	HK$0.490 (after Share Consolidation)	All net proceeds reserved for the Expansion.	All net proceeds will be used for the Expansion.
14 October 2019 and 23 October 2019	Issue of convertible bonds	Convertible into 100,000,000 Shares at the initial conversion price of HK$0.65 per conversion share with an aggregate nominal value of HK$10,000,000 (after Share Consolidation)	HK$64.7 million and HK$0.647 per conversion share (after Share Consolidation)	HK$0.395 (after Share Consolidation)	All net proceeds reserved for the Expansion.	All net proceeds will be used for the Expansion.
18 December 2019, 7 February 2020 and 13 March 2020	Rights issue	1,553,823,962 Shares with an aggregate nominal value of HK$155,382,396 and HK$0.270 per Share (after Share Consolidation)	HK$412.5 million	HK$0.350 (after Share Consolidation)	Approximately HK$206.2 million for the Expansion; and approximately HK$206.3 million for the repayment of bank loans.	The December Rights Issue was not approved by the Independent Shareholders and was not completed.

For reasons of issue, please refer to the relevant announcement, circular and/or prospectus of the Company for details.

In addition, the Company has raised approximately HK$157 million from the placing completed on 18 January 2018, which is intended to be used for the Expansion and has not been utilised as at the date of this report. All such net proceeds will be used as intended. For further details, please refer to the announcements of the Company dated 28 December 2017, 12 January 2018 and 18 January 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, 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 of the Company (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 38 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.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

By an agreement dated 12 December 2017 (the "Facility Agreement") entered into by, among others, VC Company as the borrower, the Company and certain of its subsidiaries (as guarantors), and a syndicate of banks, the banks have agreed to grant a loan facility (the "Facility") divided into 2 tranches of up to the principal sums of HK$2,226,000,000 and US$48,000,000 (equivalent to approximately HK$374,400,000) respectively (with an accordion feature of up to HK$500,000,000). The Facility is for a term of 48 months commencing from the date of the Facility Agreement and is guaranteed by the Company and certain of its subsidiaries.

The Facility Agreement contains requirements that (a) Mr. Li Ming Hung and Mr. Chen Tien Tui must own (whether by themselves or through trust arrangements) not less than 20% of the issued share capital of the Company (which shall be free from encumbrance) in aggregate; (b) Mr. Li Ming Hung and Mr. Chen Tien Tui, treated as if they are one shareholder, must collectively remain (whether by themselves or through trust arrangements) the single largest shareholder of the Company; (c) Mr. Li Ming Hung must be the Chairman of the Company; (d) Mr. Chen Tien Tui must be the Chief Executive Officer of the Company; and (e) Mr. Li Ming Hung and Mr. Chen Tien Tui must be executive Directors. A breach of any of such requirements will constitute an event of default under the Facility Agreement, and as a result, the Facility is liable to be declared immediately due and payable. The occurrence of such circumstance may trigger the cross default provisions of other banking/credit facilities available to the Group and, as a possible consequence, these other facilities may also be declared to be immediately due and payable.

Save as disclosed above, as at 31 March 2020, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

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 2020.

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.

On behalf of the Board

Li Ming Hung
Chairman

Hong Kong
30 June 2020

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 2020.

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 2020.

BOARD OF DIRECTORS

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

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

All Directors are subject to retirement by rotation and being eligible, offer themselves for re-election at the AGM 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 2020 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 2021;

(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.

The chairman of the Board also met with the independent non-executive Directors without the presence of executive Directors.

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 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 2020 to make recommendations on the re-election of Mr. Choi Lin Hung, Mr. Kan Ka Hon and Mr. Phaisalakani Vichai as Directors proposed for Shareholders' approval in the last AGM held on 28 August 2019.

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.

Nomination policy

The Board has adopted a nomination policy (the "Nomination Policy") during the current year. A summary of the Nomination Policy is disclosed below:

1. Purpose

The nomination policy aims to set out the relevant selection criteria and nomination procedures to help the Nomination Committee to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group's businesses.

2. Selection criteria

The selection criteria specified in the Nomination Policy include:

- ability to devote sufficient time and attention to the affairs of the Company;
- reputation for integrity;
- accomplishment and experience in the relevant industry(ies);
- commitment in respect of available time and relevant interest;
- diversity in all its aspects as set out in the board diversity policy of the Company; and
- effectiveness in carrying out the responsibilities of the Board.

These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee has the discretion to nominate any person, as it considers appropriate.

3. Nomination procedures

(i) For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

(ii) Until the publication of circular to the Shareholders, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

(iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from the Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for the Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to the Shareholders.

(iv) A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4. *Review of the Nomination Policy*

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The Nomination Committee will discuss any revisions that may be required.

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 2020 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	1
HK$2,000,001 to HK$3,000,000	2

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

No Director takes part in any discussions and decisions about his own remuneration. During the year ended 31 March 2020, 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 2020, 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.

Dividend Policy

The Board adopted a dividend policy (the "Dividend Policy") during the current year. A summary of the Dividend Policy is disclosed as below.

The Board takes into account the following factors when considering the declaration and payment of dividends:

- the requirements of the Company's constitutional documents;
- the solvency requirements of the laws of Bermuda;
- there being sufficient amount of retained profits and share premium of the Company for the dividend payment;
- the earnings, financial position, results of operation, expansion plans, working capital requirements, and anticipated cash needs of the Company and its subsidiaries; and
- other factors which the Board may deem appropriate.

The form and frequency of dividend declaration and payment shall be at the sole and absolute discretion of the Board. The Board will review the Dividend Policy, as appropriate, to ensure the compliance of the Dividend Policy and discuss and approve any revision as and when appropriate.

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 2020 and the special general meetings held on 21 June 2019, 4 September 2019 and 13 March 2020, and the adjourned special general meeting held on 2 March 2020 (collectively, the "SGM") are set out below:

	Number of meetings attended/held during the year ended 31 March 2020					
	BM	**ACM**	**RCM**	**NCM**	**AGM**	**SGM**
Executive Directors						
Mr. Li Ming Hung *(Chairman)*	4/4	—	1/1	1/1	1/1	4/4
Mr. Chen Tien Tui *(Chief Executive Officer)*	4/4	—	1/1	—	1/1	4/4
Mr. Lee Yuen Chiu Andy	4/4	—	—	—	1/1	4/4
Mr. Choi Lin Hung	4/4	—	—	—	1/1	4/4
Independent Non-executive Directors						
Mr. Kan Ka Hon	4/4	2/2	1/1	1/1	1/1	4/4
Mr. Phaisalakani Vichai	4/4	2/2	1/1	1/1	1/1	4/4
Mr. Kwok Sze Chi	4/4	2/2	1/1	—	1/1	4/4

INTERNAL CONTROL

The Board is responsible for maintaining the internal control systems of the Group and for reviewing its effectiveness. The systems are designed to manage rather than eliminate the risk of failing in achieving our business objectives, and can only provide a reasonable and not absolute assurance against material misstatement or loss. 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 2020, 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 2020, 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 2020. 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 2020.

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$4,000,000 for the Group;

Non-audit services of approximately HK$2,584,000 including:

- review of interim results;
- taxation services for the Group;
- act as reporting accountants of the Group for the rights issue exercise; and
- agreed-upon procedures on the Group's annual results announcement.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2020, 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 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 54, 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 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

About the Report

This environmental, social and governance report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performance and demonstrates the commitment to sustainability of the Group.

The core businesses of the Group are production and sale of knitted fabric and dyed yarn in domestic and overseas. As a leading knitted fabric producer and supplier in the PRC, the Group adheres to a sustainable ESG management approach and pledges to deal with its ESG affairs effectively and responsibly. The Group believes that these undertakings are the keys to the perpetual success in the future, and has integrated them into the business strategies.

The ESG Management Structure

The Group has set up an ESG working group (the "Working Group"), which comprises the core members of various departments. It is responsible for gathering ESG-related information on the Group to compile the ESG Report. The Working Group reports regularly to the Board, helps identify and assess the Group's ESG risks, and gauges the effectiveness of the Group's internal ESG control mechanism. It also reviews and evaluates its performance in ESG aspects such as environment, production safety, labour standards and product responsibility. On the other hand, the Board formulates the overall direction of the Group's ESG strategies and ensures the effectiveness of the ESG risk management and internal control mechanisms.

Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules.

For the Group's corporate governance practices and more information, please refer to the Group's 2020 Annual Report. If there is any conflict or inconsistency, the English version shall prevail.

Reporting Period

The ESG Report elaborates on the Group's ESG events, challenges and measures during the year from 1 April 2019 to 31 March 2020 (the "Reporting Period").

Reporting Scope

This report covers entities with substantial effect to the financial and actual operational process, mainly being the production plant located in the PRC and the companies' office located in Hong Kong and Macau.

The Group refers to the ESG Reporting Guide with a complete index in compliance is available at the end of this Report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide. This year's Report is further enhanced, with a wider range of key performance indicators ("KPIs").

Stakeholder Engagement

As stakeholder's engagement is an essential part in the continuous advancement of sustainability performance, the Group values all stakeholders and respects its opinions on its operation and ESG affairs. To fully understand, respond to and deal with the key concerns of different stakeholders, the Group has maintained close communication with various stakeholders, including but not limited to the shareholders/investors, customers, suppliers, employees, governments and regulators as well as communities, non-governmental organisations ("NGO(s)") and the media since the listing.

Through the following stakeholders' engagement and communication channels, the Group incorporates the expectations of the stakeholders into its operational and ESG strategies:

Stakeholder Groups	Communication Channels
Shareholders/Investors	• Annual general meetings • Annual reports and interim reports • Announcements and circulars • Investor conferences
Customers	• Customer satisfaction surveys and questionnaires • Customer service center • Account managers
Suppliers	• Supplier management conferences and activities • On-site supplier auditing and management system
Employees	• Good relationship with the Company • Employee communication channels (e.g. suggestion forms and boxes) • Regular management communication and performance appraisals • Staff newsletters and broadcasts • Intranet
Government/regulator	• Regular meetings • Regular performance reports • Written replies to public consultations • On-site inspection
Communities, NGOs and Media	• Public/community activities and partnership projects on different causes • Community investment projects • ESG reports

Materiality Assessment

The management and employees that perform major functions in the Group have all participated in preparing the ESG Report to assist the Group in reviewing its operation, identifying relevant ESG matters, and assessing the importance of such relevant matters to its business and stakeholders. Information was collected from relevant departments and business units of the Group based on the major ESG matters that had been assessed.

During the Reporting Period, the Group confirmed that appropriate and effective management policies and control systems for ESG matters have been established and that the disclosed contents are in compliance with the requirements of the Reporting Guide.

Contact us

The Group welcomes any opinions and suggestions from stakeholders. Please feel free to provide your valuable opinions on the ESG Report or its performance in sustainable development via info@victorycity.com.hk

II. ENVIRONMENTAL

Major Scope & Aspects

Higher standards for environmental, social and governance have been an increasing demand alongside the living standards. Not only does the Group concerns meeting the needs of the current generation but also the needs of the future generations, as well as the sustainable development, stability and prosperity of the society. As an environmental enterprise, the Group recognises its imperative social responsibility to take lead to protect the environment and will pursue a higher priority on minimising impacts on climate changes and reducing greenhouse gases emissions, especially through the centralised heat supply and distribution project in the power plant.

The Group has adopted a high-efficiency, low-input, low-consumption and low-emission clean production technique since 2008. It has 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 international certification of ISO14001 Environmental Management System obtained in January 2011.

The Group was not aware of any non-compliance with local environmental laws and regulations that has a significant impact on it relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the Reporting Period.

1. Emissions

General Disclosures and KPIs

The biggest environmental impact brought by the Group's business originates from the use of energy for offices and production line. It produces certain amount of greenhouse gas ("GHG") emission, dusts, waste water during its operations, which are considered to be one of the major sources of global warming. The Group is well aware of the impact of global warming on the planet Earth and all human. As such, the Group has been paying close attention to its emissions to ensure that they comply with the industry standards, and that transparent data are communicated effectively throughout the Group to implement applicable changes, including reduction measures.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas ("GHG") emissions, as well as discharge of domestic waste and sewage and other pollutants. The Group has strictly complied with the Environmental Protection Law of the People's Republic of China and all local environmental laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise《中華人民共和國環境雜訊污染防治法》, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on Promoting Clean Production (《中華人民共和國清潔生產促進法》), the Air Pollution Control Ordinance ("Cap.311 of the Laws of Hong Kong") (《空氣污染管制條例》), the Water Pollution Control Ordinance ("Cap.358 of the Laws of Hong Kong") (《水污染管制條例》), the Waste Disposal Ordinance ("Cap.354 of the Laws of Hong Kong") (《廢物處置條例》) and other laws and regulations concerning environmental protection, established an environmental protection responsibility system, and actively adopted various environmental protection measures in the course of operation for environmental pollution generated during the operation process.

During the Reporting Period, the Group complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where its operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

Air Emissions

During the business operation of the Group, the sources of air emissions include exhaust gas from boilers of the power plants and transport vehicles. The Group has adopted the following emission reduction measures against the abovementioned emission sources:

Exhaust gas from boilers of the power plants

Boilers of the power plants are the major sources of the Group's air emissions. The Group stringently follows national environmental standards and compiles real-time emission data. To reduce emissions, the Group invested over RMB20 million in the construction of a wet desulphurization and electrostatic precipitation system (濕法脱硫及濕電除塵系統) in 2015. With this system, sulphur oxide 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, thereby achieving 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 oxide emission. These measures together reduced sulphur oxide and smoke particles in the exhaust by 15% and 20%, respectively.

Exhaust gas for transport vehicles

In the production process of the Group's products, a large number of vehicles are required to transport materials, products and guests. The gasoline and diesel consumed also cause air pollutants to be emitted. The treatment methods and emission reduction measures are as follows:

- Optimising operating procedures for increasing the loading rate of vehicles and lowering the idle rate;
- Turning off the engine when the vehicle is not in use;
- Eliminating non-compliant vehicles in accordance with national emission policy regulations (national standard IV);
- Conducting regular maintenance and repair of vehicles to effectively reduce fuel consumption, which further reduce carbon emissions and exhaust gas emissions;
- Selecting unleaded gasoline with low sulphur content as fuel; and
- Preventing engine idling of vehicles.

Summary of Air Emission Performances:

Type of discharge	Unit	Quantity
Nitrogen oxides (NOx)	Tonne	199.26
Sulphur oxides (SOx)	Tonne	67.85
Particulate matter (PM)	Tonne	15.82

GHG Emissions

The Group spares no effort in operating its business in an environmentally responsible manner through minimising GHG emissions and its environmental footprint. The Group's major GHG emissions resulted from use of the boilers of its power plants and combustion of gasoline and diesel from transportation that causes direct GHG emissions (Scope 1), the indirect GHG emissions resulted from purchased electricity (Scope 2), and other indirect emissions resulted from employees' business travel, and waste disposal (Scope 3). During the Reporting Period, the Group did not have any indirect energy consumption as it has not purchased any electricity. The Group has actively adopted the electricity-saving and energy-saving measures to reduce GHG emissions, including:

- Turning off equipment, machines and electronic devices after office hours;
- Making fully use of the online system in the offices, general transaction notification, data transmission, etc. through the network system;
- Using telecommunication system and video conferencing to replace unnecessary travel arrangements wherever appropriate and possible;
- Requiring employees to copy or print on both sides as much as possible;
- Using both sides of offices paper as much as possible;
- Collecting and recycling waste paper by the administrative department;
- Disposing of waste packaging boxes as "recyclable" waste; and
- Measuring the reduction of carbon emissions caused by vehicle exhaust gas, which described in the section "Air Emissions — Exhaust Gas for transport vehicle" above.

The Group has a comprehensive energy management system in place to formulate plans to save energy and improve production efficiency each year. For details, please refer to the section headed "Use of Resources/Energy Efficiency Management" of Aspect A2.

Summary of GHG Emission Performances:

Type of GHG emission (note i)	Unit	Quantity	Intensity — Quantity per HK$1 million of revenue (note ii)
Direct GHG emission (Scope I) — gasoline and generator consumption	Tonne	481,874.87	105.58
Other indirect GHG emissions (Scope III) — waste, business air travel and water consumption	Tonne	13,452.65	2.95
Total GHG emissions	Tonne	495,327.52	108.53

note:

i. GHG emission data are presented in terms of carbon dioxide equivalence with reference to the requirements of, including but not limited to, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (《溫室氣體盤查議定書：企業會計與報告標準》) published by the World Resources Institute and the World Business Council for Sustainable Development, the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標彙報指引》) published by the Stock Exchange and the 2017 Sustainability Report published by CLP Power Hong Kong Limited.

ii. During the Reporting Period, the total revenue of the Group was HKD4,564 million. Other intensity data in the ESG Report are also measured using this data.

Sewage Discharge

The textile industry uses water to conduct dyeing, cleaning and other processes. As textile dyeing effluent contains chemicals, the Group has constructed sewage treatment facilities to handle its effluent. It also strictly prohibits the direct discharge of effluent into the surrounding environment so as to ensure its compliance with national environmental standards and minimize the impact of its production activities on the natural environment.

Summary of Sewage Discharge Performances:

Type of discharge	Unit	Quantity	Intensity — Quantity per HK$1 million of revenue
Effluents	Tonne	2,157,401	472.7

The Group has formulated various measures that focus on the reduction of effluents discharged. A deep sewage treatment and reclaimed water reuse system has been in use since its completion in 2007. Domestic sewage and industrial effluents are pumped to regulating tanks, where the quality and amount of effluent are regulated and preliminary precipitation is conducted, before being treated by the sewage treatment plant. Treated sewage is then sent to the reclaimed water reuse system to go through the reverse osmosis process, bringing it to the standards required for it to be reused in the dyeing process. The reclaimed water reuse system has a daily sewage treatment capacity of 30,000 tonnes and up to 80% of the sewage can be reused. The condensed sewage that has 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 sewage 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. Equipped with reverse osmosis membranes, the reclaimed water reuse system reduces the amount of effluents by approximately 6 million tonnes per annum. The Group also switched to energy-saving dyeing vessels between 2014 and 2016 in order to further reduce the amount of water used and discharged in the dyeing process.

During the Reporting Period, the Group's sewage treatment meets the requirements of relevant laws and regulations.

Waste Management

The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during the plant and corporation offices. The Group has also implemented policies to reduce waste generation through environmental education, aiming at waste management from the source. The Group has formulated related systems and procedures such as the Environmental Protection Management System (《環保管理制度》), the Pollution Control Management System (《污染治理管理制度》) and the Solid Waste Management System (《固體廢物管理制度》) to regulate effluent, emissions and waste generated during the production process.

During the Reporting Period, the Group's waste gas treatment meets the requirements of relevant laws and regulations.

Hazardous waste

Bottom ash from coal combustion and used engine oil are the major hazardous waste of the Group. To effectively identify and treat hazardous waste, all departments have specified certain areas for the sorting, separation and storage of such waste. Hazardous waste is centralised and collected by the material department after reaching a certain amount. The types, information and amounts of waste transferred as well as the time of the transfer are recorded in detail in the collection data. Designated staff members are responsible for the collection of solid waste, maintenance of the storage areas and the prevention of second pollution of such solid waste inside the plant. Collected hazardous waste is stored in warehouses for dangerous and hazardous goods and regularly collected by waste collectors with the relevant dangerous and hazardous goods handling qualifications. The Group enters into regular contracts with these qualified waste collectors according to the requirements of local environmental protection bureaus and reports these engagements to the bureaus every year.

Non-hazardous waste

The major types of non-hazardous waste of the Group are ordinary office waste and miscellaneous production waste. To deal with non-hazardous waste, the Group makes every effort to reduce it at source. The Group has laid down stringent control and approval procedures for the use of materials by each department. Various measures, such as recycling, reusing and reducing waste generated from the daily operation, are implemented to prevent waste. Measures formulated by the Group to control the generation of waste at source include but not limited to:

- Applying clean production by using advanced production technique, environmental-friendly raw materials, accessories and fabrics, and controlling at source, recycling and reusing in order to minimise solid waste;

- Upgrading production equipment, applying computerised pattern making technique and enhances staff training in order to tighten control over the use of fabric and minimise scrap materials;

- Conducting regular staff environmental education and promotion, and encouraging reuse and recycling;

- Engaging qualified waste collectors to collect various ordinary and industrial wastes for disposal at designated landfills and treatment facilities; and

- Sorting and reusing solid waste generated by each department and factory according to the relevant waste management system of the Group in order to reduce demand for disposal.

Inevitably, the Group generates waste during its operation. However, it has minimized the risk and impact of such waste on the environment with the above effective waste treatment strategies and policies.

Summary of Waste Discharge Performances:

Type of discharge	Unit	Quantity	Intensity — Quantity per HK$1 million of revenue
Hazardous waste			
Bottom ash	Tonne	40,623	8.9
Used engine oil	Tonne	4.7	—
Non-hazardous waste			
Paper	Tonne	2.69	—
General waste	Tonne	1,284.63	0.28
Package	Tonne	270.6	0.06

2. *Use of Resources/Energy Efficiency Management*

General Disclosures and KPIs

With the goals of conserving energy, reducing consumption and achieving sustainable production, the Group places a lot of emphasis on energy conservation and consumption reduction. It has deployed a comprehensive energy management system, under which the 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.

Under this comprehensive system, the Group has designated its professional energy management departments to launch and apply energy conservation and consumption reduction measures to every production process in order to minimize the amount of energy consumed during such processes. The Group incorporates energy conservation and recovery into its corporate management so as to guarantee energy reduction and realise potential power saving in the process. An energy-saving steering committee meets regularly to analyse, discuss and supervise the implementation of energy-saving measures by each department and coordinate interdepartmental collaboration with the aim of reducing energy consumption and waste.

To achieve high energy efficiency, the Group has established an effective energy surveillance and assessment system with a corresponding management structure. Through consistent energy surveillance and assessment, energy waste is stamped out by monitoring major energy-consuming equipment as well as analysing and managing the power consumption of each department. To raise the energy-saving awareness of its employees, 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.

The Group strictly complies with the Water Law of the People's Republic of China (《中華人民共和國水利法》), the Electric Power Law of the People's Republic of China (《中華人民共和國電力法》), Renewable Energy Law of the People's Republic of China (《中華人民共和國能源法》), the Energy Conservation Law of the People's Republic of China (《中華人民共和國能源節約法》) and other relevant laws and regulations.

Energy Consumption

In the Group's daily operation, the major sources of energy consumption are gasoline and diesel consumed by the transportation as well as coal, natural gas and diesel generated electricity consumed by the operation.

Summary of Energy Consumption:

Type of energy	Unit	Quantity	Intensity — Quantity per HK$1 million of revenue
Petrol (Unleaded)	Litre	55,200	12.09
Diesel	Litre	304,038	66.62
Coal	Tonne	209,312	45.86
Natural gas	Cubic meter	5,295,754	1,160.33

note:

These data only included energy consumed in the Group's operation and excluded energy consumption beyond the Group's control. During the Reporting Period, the Group did not have any indirect energy consumption as it has not purchased any electricity but generated electricity by itself using coal, natural gas and diesel.

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.

The Group has also studied all viable energy conservation technologies, encourages innovation, and enhances its production efficiency with new techniques, new materials and new equipment with the aim of cutting energy demand and reducing resource wastage in its production. Some particular measures were 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 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.

It has the following specific regulations in place to conserve and better utilise electricity:

- Using electricity-saving equipment, electrical appliances, and lamps for production, office, and domestic electricity use;

- Forbidding the running of idle equipment, and the unreasonable electric wiring distribution;

- Using LED lamps in offices and factories;

- Requiring its employees to turn on electrical equipment, including lighting equipment, air conditioners, fans, etc. during business hours depending on actual needs, and encouraging them to turn off the power when not in use or before off duty;

- Enhancing the maintenance and overhaul of equipment, maintaining the best condition of all electronic equipment for effective use of electricity; and

- Measuring the reduction of carbon emissions caused by vehicle exhaust gas, which described in the section “Air Emissions — Exhaust Gas for transport vehicle” of Aspect A1.

In addition, the Group posts power-saving slogans at prominent locations. It raises the employee’s awareness of energy conservation and environmental protection in the work and life. Through these energy-saving measures, employees’ awareness on energy conservation has been increased.

Water Consumption

During the Reporting Period, the Group's main source of water consumption came from the services operation process and the daily use of water by employees at offices during working hours.

Summary of Water Consumption:

Water consumption	Unit	Quantity	Intensity — Quantity per HK$1 million of revenue
Water consumption level	Cubic meter	10,071,834	2,206.8

note:

As the Group leased the Hong Kong head office and the Macau office, the water supply was controlled by local property management companies which were unable to provide data on water consumption of individual tenant.

The Group does not have any issue in sourcing water that is fit for purpose. It stresses efficient use of water and has therefore implemented the following water use efficiency initiatives:

- Inspecting covered pipelines regularly by professionals of its subsidiaries in order to prevent leakage due to broken pipelines;
- Encouraging all employees and customers to take proactive water-saving initiatives, advocate saving water, post water saving slogans and teach employees how to use water in a reasonable manner;
- Enhancing the capacity of the sewage treatment plant and reclaimed water reuse system; and
- Reusing reclaimed water in the production process to reduce the consumption of water. This project saves water and enhances resource efficiency by effectively recovering cooling water and reusing such water after it has fully cooled down.

Paper Consumption

The Group strives for a digital office. Its offices fully utilise an online system that allows digitalising announcement made to the public and data transmission and therefore reduces the use of paper by minimising printing and copying. If practicable, both sides of office paper are used. While the use of paper is monitored in each office, used paper is centrally collected and recycled by the administration department.

Reusable paper products, such as envelopes, are properly recycled whereas the use of disposable paper products, such as paper cups and paper towels, are discouraged wherever possible and appropriate during the business operations.

Use of Packaging Materials

To reduce the use of plastic bags, the Group has improved the packaging process. In addition, It encourages suppliers to produce as less waste as possible by choosing recyclable packaging materials and reusing packaging materials wherever possible.

3. Environmental Protection and Natural Resources Conservation

General Disclosures and KPIs

The Group is mindful of the impacts brought by its operational activities on the environment and natural resources. As such, not only does the Group comply with the relevant regulations and international standards, but it also incorporates environmental protection and management concepts into its corporate decisions, daily operation and internal management with the aim of building up an enterprise that grows with the environment and society.

To minimize its impacts on the environment and natural resources, the Group has set up special divisions for tracking and managing, among other matters, the environmental impacts and energy consumption of its activities. Furthermore, its overseas customers also inspect the factories regularly in order to audit and refine the environmental protection and management system.

Impacts of construction projects on the environment

From viability studies, initial design, inception and construction to the commencement of production, the Group strictly follows the Regulations on the Administration of Construction Project Environmental Protection (《建設專案環境保護管理條例》) and other regulations and procedural requirements promulgated by the national and local governments in the PRC as well as the internal systems. All construction projects have received environmental impact assessment approvals.

Noise Control

To comply with the industrial standards for noise pollution and minimize the impact of its noise, the subsidiaries of the Group have also taken noise-control measures on equipments that makes high level of noise.

In general, the Group has established environmental protection project files (covering the emissions of pollutants and the performance, operation and management of pollution control equipment), surveillance records, records of pollution incidents and other data and information about pollution prevention and control.

Daily Administration

The Group is aware that its major contribution to the greenhouse gas emission and energy footprint lies on the electricity consumption by the corporate offices and business premises. As such, it actively maintains a steady focus on reducing the energy consumption to manage the impacts on the environment, being committed to observing the Energy Saving Charter on Keep Indoor Temperature (《節能約章 — 室內溫度》) and the Energy Saving Charter on No ILB (《節能約章 — 不要鎢絲燈泡》) introduced by the Environment Bureau of the Hong Kong Government. It promotes adapting the environmentally friendly lighting system, using no incandescent light bulbs and more energy-efficient lighting tool. It also maintains the average indoor temperate of their common area between 24–26°C during summer.

III. SOCIAL

Major Scope & Aspects

The Group makes an effort to provide a safe working environment for the employees and to care for the overall wellbeing of its employees. In relation to employment and labour practices, the human resources department focuses on employment, health, safety, development and training. A Staff Handbook (《員工手冊》) is compiled in accordance with the relevant laws and regulations in different regions.

The PRC

In the PRC, the Group has participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC, the Labour Law of the PRC (《中華人民共和國勞動法》) (the "Labour Law"), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "Labour Contract Law") and other laws and regulations. The Group has entered into lawful labour contracts with 100% of its employees and honours these contracts in accordance with the Labour Contract Law. To ensure social security for our employees, the Group pays all required the Five Insurance and One Provident Fund (《五險一金》), namely endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund.

Hong Kong

In Hong Kong, the Group complies with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) (《強制性公積金計劃條例》) by participating in the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for our eligible employees, Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) (《最低工資條例》), Employment Ordinance (Cap. 57 of the Laws of Hong Kong) (the "EO") (《僱傭條例》) and Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) (the "ECO") (《僱員補償條例》) by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

Macau

The Group complies with the Macau Labor Relations Law ("the Law No. 7/2008") (《勞動關係法》) in Macau. The Law No. 7/2008 generally establishes the legal regime of labour relations and the core regulations of employment contracts, general principles applicable to employment relationships, duties and obligations of the employer and employee, probation period, employment contract requirements, employment contracts for a fixed period, working hours, overtime, weekly time off, annual leave and eventual compensations in the event of contract termination without or with just cause. Article 5 of the Framework Law on Employment Policy and Worker's Rights (《就業政策和工人權利框架》) distinguishes that female workers, underage workers and disabled workers are subject to special protection.

Inclusion and exclusion of data

The data includes the HSE data in the production and business activities of the Group and excludes the Employment and Labour data of business partner and suppliers.

Summary of the employee and turnover rate to be classified by gender, age and position group:

	Number of employee	Employee rate (%)	Turnover rate (%)
Total number of employee	3,700	100	13.5
By Gender			
Male	2,212	60	8.1
Female	1,488	40	5.4
By Age			
＜age 30	1,438	40	5.4
age 30–50	1,844	49	6.7
＞age 50	418	11	1.4
By Position			
Senior	95	2	0.2
Mid-level	392	11	1.1
General	3,213	87	12.2

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources.

1. Employment and Labor Practices

General Disclosure

During the Reporting Period, the Group had approximately 3,700 employees and the turnover rate was 13.5% from the PRC, HK and Macau operations. The factory in Cambodia was sold in 2019. The Group unswervingly safeguards labourers' legal rights in accordance with the Labour Law and other national and local laws and regulations. It respects the right of its employees to enjoy rest and holidays, and has standardised their working hours and entitlement to rest time and period. The Group offers paid annual leave and overtime payment for service beyond statutory working hours according to the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) and other relevant regulations. The staffs also enjoys public holidays, casual leave, sick leave, work-related injury leave, maternity leave, annual leave and other paid leaves. To reduces the employ turnover rate, the Group adopted the following resources:

- Controlling overtime, and allow the employees having enough rest and personal time;
- Supporting and listen to the employees in attaining their goals and dreams at the work environment;
- Encouraging employees to have good, even best, friends, at work for increasing their commitment to the Group as an employer;
- Identifying candidates' qualifications and recruit suitable employees for the Company;
- Focusing on on-the-job training of employees, establish a talent training mechanism, and help employees make career planning; and
- Providing opportunities for the employees to share their knowledge on-the-job via training sessions, presentations, mentoring others and team assignments.

In addition to comprehensive employee benefits, the Group also organises a wide range of leisure activities with the aim of cultivating a cozy atmosphere, showing care for its employees and fostering work-life balance among the staff. Relevant benefits and activities are as follows:

- Transportation for employees in need of family reunion before Lunar New Year;
- Family leaves such as marriage leave and maternity leave for employees to spend joyful time with their families;
- Festive foods, including moon cake and rice dumpling, at traditional festivals such as Lunar New Year and Mid-Autumn Festival to give thanks for their contributions to the Group and hard work; and
- Recreational activities or communal meals for example: annual conference, festival celebrations or banquet, sports day, tele-matches and birthday celebrations to relax and build team spirt.

The employees of the Group are employed, recognized and rewarded for their contributions, work performance and skills, and are provided with a good working environment and development opportunities.

Equal opportunities and Anti-discrimination

The Group follows fair, impartial and open recruitment procedures in strict compliance with regulations promulgated by national and local governments. It has relevant written systems in place to eliminate discrimination based on ethnicity, gender, colour, age, family background, cultural background, religion, physical disability, nationality and other factors during the recruitment process. To attract professionals and talent of different backgrounds, all staff members of the Group enjoy equal opportunities and fair treatment in terms of recruitment, re-designation, hiring, training, promotion, discipline, remuneration, benefits and other arrangements.

2. Health and Safety

General Disclosure

As human resources are important assets of the Group, the Group is devoted to the occupational health and production safety of the employees. The total lost days due to injury at work were 2,566 days in the plant during the Reporting Period. Upholding a safety-first production approach, the Group has actively taken systematic production safety measures and established a systematic and people-oriented production safety management system to strive for a safe, healthy work and living environment without potential health and safety hazard for its staff. It strictly observes the Labour Law, the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Fire Control Law of the People's Republic of China (《中華人民共和國消防法》), the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) (《職業安全及健康條例》) and other relevant laws and regulations under Macau Occupational Health and Safety Association.

Prevention and Control Measures for the Epidemic

The outbreak of COVID-19 started in late 2019. In light of the epidemic challenges, the plants in the PRC have promptly established the "epidemic prevention and control team". This team and the human resources and administration department in Hong Kong are in charge for developing relevant work plans and lead the prevention and control work in the PRC, Macau and Hong Kong, respectively. It has taken relevant prevention and control measures under the guideline issued by the local governments including but not limited to the Guidelines for the Protection of People with Different Risks of New Coronavirus Pneumonia (《新型冠狀病毒肺炎感染不同風險人群防護指南》) published by the Disease Control Bureau of the National Health Commission, the Work Guidelines for the Prevention and Control of New Coronary Pneumonia in Organizations, Enterprises and Factories Resuming Production and Resuming Production (Second Edition) (《機關、企業及工廠復工復產防控新冠肺炎工作指引(第二版)》) published by the Epidemic Prevention Group of Guangdong New Coronary Pneumonia Prevention and Control Command Office, and the Guidelines on Labour-related Matters Arising from Severe Acute Respiratory Syndrome (《嚴重呼吸系統綜合症引起之僱傭問題指引》) for employers and employees issued by the Hong Kong Labor Department and the CDC (Macao SS) Technical Guidelines (《澳門衛生局疾病預防控制中心技術指引》). The Group ensures physical health of employees and a safe workplace and prevent disruption to all operations.

Safety Production Management

The Group has formulated a related Safety Production System (《安全生產制度》) to regulate production safety in accordance with the relevant laws and regulations as well as its own practical need. To minimize potential harm to employees' health, the production workshops of the Group are equipped with dust collection, noise control and anti-poison equipment, proper signs of dangerous goods are mounted, the use and storage of explosives are regulated, and protective gears are provided to production staffs. Before any new technique, product, equipment or technology are employed, the related workshops and departments must understand and be familiar with their safety features, devise operation safety procedures and checklists, take effective safety precaution, and provide specific safety training and education to the staff.

Staff Health Management

The Group organises body check-up for its staff every year, and further engages a qualified center for disease prevention and control to conduct occupational health check-up on staff members in certain specialized position. This center is also employed to carry out occupational health inspections in respect of, among other things, ash and dust, noise, benzene, toluene, xylene, and ethyl acetate in the relevant workplaces so as to ensure its staff work under a healthy working environment.

Occupation Safety Training

To uphold workplace safety of its staff, the Group provides necessary protective gears to its staff for free in order to create and offer a safe work environment in accordance with national work safety laws and regulations. Regular safety training and first aid, evacuation, spillage and desertion drills are organised to enhance the production safety knowledge and awareness of the staff, and thereby reduce the number of safety incidents.

Posters and reminders are posted at appropriate locations to remind employees to check their safety gears. The Staff Handbook also sets out occupational safety policies and procedures in detail for all departments to study. In addition, a fire safety system has been drawn in accordance with the Fire Control Law of the People's Republic of China and the Provisions on the Supervision and Administration of Fire Protection of Construction Projects (《建設工程消防監督管理規定》), under which the Group conducts fire drills to strengthen the fire alert of the entire staff while improving its fire evacuation plan. Furthermore, the Group also has first-aid kits and fire extinguishers installed in its workplaces for use in case of emergency.

A sound roster is in place to guarantee proper rest of the employees. The Group also treasures interaction with its staff. It encourages the employees to report accidents and other safety hazards with appropriate report and investigation mechanisms. To effectively prevent and minimize accidents, protect the staff and safeguard corporate property, the Group will take timely measures to investigate these accidents and resolve such potential hazard.

During the Reporting period, the Group did not encounter any severe injuries or casualties. In addition, it did not record any accidents that resulted in death or serious bodily injury, did not pay any reimbursements or compensations to the Group's employees due to such accidents, and was not aware of any major violations against laws and regulations related to employees' health and safety.

3. Development and Training

General Disclosure

The Group pays much attention to the establishment of internal corporate management training and development system. A varied training structure comprising induction, management, technical, orientation and other forms of training has been set up to meet the needs of employees at each level and position, enhance employees' skills, advocate its corporate values and introduce good ethics and professional knowledge, thereby fostering employees' personal growth and development while fueling the Group's sustainable development. 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.

Training Management

The Group regulates its staff training management with a training system that principally consists of internal corporate training. The management formulates annual training plans with corporate training records. It also regularly reviews external training proposals and the effectiveness of its internal training programmes with a view to enhancing the efficiency of the Group's training system. The Group also offers study leaves and subsidies to encourage the staff to take external training courses. It assesses and monitors its training programmes according to the annual training plans with the aim of providing suitable training to its staff.

Furthermore, the Group studies the demand for staff training in order to understand the Group's development, the need for staff training from all business segments and the required skills so as to provide training that caters to the needs of the employees and the Group itself.

4. Labour Standards

General Disclosure

The Group complies with the Labour Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour of the People's Republic of China (《中華人民共和國禁止使用童工規定》), the Employment Ordinance of Hong Kong (Cap. 57 of the Laws of Hong Kong) (《僱用兒童規例》), the List of Jobs Prohibited by Minors of Macau (《禁止未成年人提供的工作清單》) and the Restrict the List of Jobs Provided by Minors of Macau (《限制未成年人提供的工作清單》) under the Law No. 7/2008 (《勞動關係法》) respecting to the employment of youths under 16 years of age and their legal rights.

It strictly prohibits the use of any child and forced labour by its operations in the PRC. The Group demands all new employees to provide true and accurate personal information when they join the Group for the recruitment staff to stringently verify their information including, among other things, body check results, academic certificates, identity card and hometown information. Identity card readers are installed in accordance with the requirements of local law enforcement agencies to verify the identity of all new staff members. The Group has a comprehensive recruitment process in place to conduct background check against every candidate, as well as a formal reporting process to handle any exceptional cases. It also conducts regular reviews and checks to guard against child or forced labour in its operation. The probationary period or labour contract of any employee who uses false information or breaches the Group's regulations will be terminated immediately. To ensure staff health and safety, forced labour is strictly prohibited and no staff can start working before the completion of the relevant training.

Furthermore, employees of the Group work overtime on a voluntary basis to prevent any breach of labour standards and duly protect employees' rights. The Group also prohibits any punishments, management methods and behaviors involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment (including inappropriate languages, postures and physical contact), etc. against its employees for any reason. At the same time, the Group also avoids using the administrative supplies and services of those vendors and contractors whose use of child or forced labour is known.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to the prevention of child or forced labour.

5. Supply Chain Management Mechanism

General Disclosure

As part of the responsibility of an accountable corporate citizen, the Group is determined to embed the pursuit of sustainability in its core business. Accordingly, the Group has developed a series of management systems and procedures in alignment with the corporate governance requirements of the Stock Exchange. Furthermore, the Group encourages all business partners to incorporate these sustainability practices and policies into their operation thoroughly in order to work together with us in pursuit of sustainable development.

Supply Chain Management

To better manage the Group's supply chain, it is committed to actively collaborating with its suppliers to reduce potential environmental risks and deliver the highest standards of products and services precisely and consistently. The Group has developed a high quality and stable pool of suppliers and has never experienced any major difficulties in obtaining sufficient supply of satisfying products.

"Green procurement" is an indispensable consideration of the Group's procurement activities. The Group's supply chain management team not only considers commercial interests during the tendering processes, but also assesses the track records of suppliers on compliance with legal, ethical and social aspects, such as use of child labour and forced labour, workplace health and safety, working hours, compensation, benefits and wages, mitigation of environmental impacts, workplace and product safety, protocols against sexual assault and gender discrimination, protocols against harassment and abuse, etc. In strict compliance with the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Competition Ordinance of Hong Kong (《競爭條例》) and other regulations, the Group makes procurement on an open, fair and impartial basis without any discrimination against any particular supplier nor corruption and bribery.

The Group continues to promote the localisation of suppliers. Under the same terms and conditions, it prioritised a mutually beneficial partnership with local suppliers. With the application of scientific technology in logistic management, it is committed to shortening material delivery time, while controlling warehouse storage and delivery pressure, reducing vehicle emissions and negative impact on the environment.

The Group will communicate with the suppliers and distributors regularly to maintain a good relationship with them and review and monitor the performance of the suppliers and provide feedback to them from time to time.

6. Product Responsibility

General Disclosure

To be a successful business, the Group maintain continuous communication with its customers to ensure that it understand and fulfil their needs and expectations, so that it can improve the quality of its services in the long run. The Group is committed to the highest standards of service it delivers. The Group controls its entire production process in close compliance with the requirement of ISO9001 with quality control over raw materials, packaging materials, work in progress and finished products to fulfil relevant standards and requirements. Customers are welcome to provide comments on its services. The Group has set up various complaints and feedback channels, such as guest comment cards, telephone hotline, social media, emails and websites, to collect suggestions and advice from customers.

The business operations in the PRC, Hong Kong and Macau of the Group complies with relevant laws and regulations, for instances, the Law of the People's Republic of China on Protection of Consumer Rights (《中華人民共和國消費者權益保護法》), the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Trade Description Ordinance (Cap. 362 of the Laws of Hong Kong) (《商品説明條例》) and the Consumer Protection Law of Macau (《消費者權益保護法》). It also carries out continuous and regular assessment of the product quality and review of opportunities for improvements and changes.

During the Reporting Period, there were no cases of product recall nor complaints received against its products due to health and safety issues during.

Privacy Protection

The Group is committed to comply with the privacy laws and regulations. It undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) (《個人資料(私隱)條例》), the Personal Data Protection Law of Macau (the Law No. 8/2005) (《個人資料保護法》) and the laws and regulations of mainland China in relation to privacy, to ensure that all data are securely kept in its internal system with access control.

The Group also set out data privacy requirements in its corporate policies, under which customer and supplier data would be used exclusively for matters relating to the its business operation only. It strives to ensure all collected data kept is free of unauthorised or accidental access, processing, erasure or other use.

Intellectual Property Rights Management

The Group relentlessly reinforces the protection of intellectual property rights. Pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Patents (Amendment) Ordinance 2016 of Hong Kong (《2016年專利(修訂)條例》) and the Patents (General) (Amendment) Rules 2019 of Hong Kong (《2019年專利(一般)(修訂)規則》) and other relevant laws and regulations, the Group has established and perfected an intellectual property rights management system that clearly stipulates regulations and requirements for the application, management, use and protection of customers' and its own intellectual property rights. This management system successfully raised the awareness of the entire staff about intellectual properties and trademarks, fully actualised the value of intellectual property rights in its operation, and thus protected its corporate interests.

7. Anti-corruption Mechanism

General Disclosure

The Group strictly complies with the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong) enforced by the Hong Kong Independent Commission Against Corruption, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), and the Interim Provisions on Prohibiting Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), and the Prevention and Suppression of Bribery in External Trade of Macau (Law No. 10/2014) (《預防及遏止對外貿易中的賄賂行為的制度》) to prevent unethical pursuit. It places great importance in maintaining the highest standards of integrity and honesty and have no tolerance for any misconduct case. Once misconduct case is discovered and confirmed, the employee will be subject to disciplinary action and the case will be reported to related governing body when necessary.

During the Reporting Period, no significant risks relating to corruption were identified. There were no confirmed incidents in relation to corruption or public legal cases brought against the Group or its employees concerning corruption. There were also no confirmed incidents where contracts with business partners were terminated or not renewed due to violations relating to corruption during the Reporting Period.

8. Community Investment

General Disclosure

The Group accepts its responsibility for repaying the society, and thus takes a proactive role in fulfilling the social responsibility as a corporate citizen. To this end and to build up a positive public image, it strives to organise and participate in various social welfare and charitable activities by collaborating with philanthropic organisations and charities. Every year, the Group responds vigorously to local governments' calls for donations or voluntary services to assist with natural disaster relief, the building of a harmonious ecological environment and support for stricken groups. Apart from these, the Group formulates necessary plans annually to support local communities through diversified means and channels according to their practical needs and the Company's 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 make donations for pressing social needs such as natural disaster relief and maintenance of community facilities.

In addition, the Group hopes to develop a sense of social responsibility among its staff. As such, staffs are encouraged to make a greater contribution for the society by participating in charitable activities during office hours and spare time. It also takes part in environmental and charitable activities and are encouraged to make donations to assist underprivileged students and children and engage in social services. It believes that the participation in activities that repay the society will increase the civic awareness of its staff.

VI. ESG GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report and Remark
A	**Environmental**	
Aspect A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	46–52
KPI A1.1	Types of emissions and respective emissions data	46–49
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	48–49
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	50–51
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity	51–52
KPI A1.5	Description of measures to mitigate emissions and results achieved	47–48
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	51–52
Aspect A2 Use of Resources/ Energy Efficiency Management	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials	52–56
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	53–54
KPI A2.2	Water consumption in total and intensity	55
KPI A2.3	Description of energy use efficiency initiatives and results achieved	53–54
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	55
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	55–56
Aspect A3 The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources	56–57

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report and Remark
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	No significant impacts of activities on the environment and natural resources during the Reporting Period
B	**Social**	
Employment and labour Practices		
Aspect B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	59–60
Aspect B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	60–61
Aspect B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work	62
Aspect B4 Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	62–63
Operating Practices		
Aspect B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain	63

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report and Remark
Aspect B6 Product Responsibility	General Disclosure Percentage of total products sold or shipped subject to recalls for safety and health reasons	No products sold or shipped subject to recalls for safety and health reasons
Aspect B7 Anti-corruption	General Disclosure Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded legal cases regarding corrupt practices during the Reporting Period
Aspect B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	65

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 74 to 184, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current year. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified the impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial statements and the significant degree of management judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group on trade receivables at the end of the reporting period. The Group recognises a loss allowance for ECL on trade receivables which are subject to impairment under HKFRS 9 "Financial Instruments". The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default which involves key estimates from management of the Group. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The Group engages an independent qualified professional valuer on measurement of loss allowance at lifetime ECL by using provision matrix to calculate ECL for the trade receivables. The carrying amount of trade receivables amounted to HK$1,765,929,000, net of allowance for ECL amounting to HK$10,058,000 recognised as at 31 March 2020. Referring to Note 4 to the consolidated financial statements, the Group estimates the ECL by individual assessment for credit-impaired trade debtors and provision matrix for the remaining trade debtors which is based on the Group's historical default rates taking into consideration of forward-looking information that is reasonable and supportable available without undue costs or effort.	Our procedures in relation to the impairment assessment of trade receivables performed by management included: • Understanding how the impairment loss of trade receivables has been estimated by management and the approval procedures for recognising the impairment loss on trade receivables; • Assessing the reasonableness of the methods and assumptions used in the Group's ECL model based on our understanding on the Group's customer portfolio and discussion with management and the independent qualified professional valuer including: — the credit quality of the customers, such as any experience in default, delay in payments, aging analysis and historical settlement pattern; and — the provision rates, insurance recovery rate, internal credit ratings, historical default rates and forward-looking information; • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; • Checking major data inputs used in the ECL model, on a sample basis, to the Group's accounting records and market data; and • Checking the mathematical accuracy of the ECL calculation.

OTHER INFORMATION

The directors of the Company 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 of the Company 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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
30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**4,564,269**	5,413,027
Cost of sales		**(3,813,980)**	(4,419,292)
Gross profit		**750,289**	993,735
Other income		**137,946**	82,774
Other gains and losses	7	**74,026**	(49,063)
Impairment loss on trade receivables under expected credit loss model		**(4,796)**	—
Distribution and selling expenses		**(93,533)**	(94,777)
General and administrative expenses		**(413,137)**	(408,358)
Finance costs	8	**(232,277)**	(230,787)
Profit before taxation		**218,518**	293,524
Income tax expense	9	**(50,526)**	(22,017)
Profit for the year	10	**167,992**	271,507
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(650,071)**	(418,730)
Reclassification of translation reserve upon disposal of a subsidiary		**–**	(984)
		(650,071)	(419,714)
Items that will not be subsequently reclassified to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income		**–**	1,858
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		**–**	4,980
		–	6,838
Other comprehensive expense for the year		**(650,071)**	(412,876)
Total comprehensive expense for the year		**(482,079)**	(141,369)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**173,408**	284,412
Non-controlling interests		**(5,416)**	(12,905)
		167,992	271,507
Total comprehensive expense attributable to:			
Owners of the Company		**(475,986)**	(127,552)
Non-controlling interests		**(6,093)**	(13,817)
		(482,079)	(141,369)
Earnings per share	12		
Basic		**HK22.7 cents**	HK55.9 cents
Diluted		**HK16.1 cents**	HK50.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	13	**4,825,777**	5,092,721
Right-of-use assets	14	**44,909**	—
Prepaid lease payments	15	**—**	181,183
Investment properties	16	**204,800**	188,571
Goodwill	17	**—**	—
Intangible asset	18	**—**	—
Interest in a joint venture	19	**—**	—
Financial assets at fair value through profit or loss — life insurance policies	20	**125,685**	123,222
Financial assets at fair value through profit or loss — investment in an unlisted trust fund	20	**—**	2,057
Deferred tax assets	21	**10,271**	1,888
Deposits paid for acquisition of property, plant and equipment		**13,721**	7,423
		5,225,163	5,597,065
Current assets			
Inventories	22	**3,260,479**	3,139,573
Trade and bills receivables	23	**1,765,993**	1,843,541
Deposits, prepayments and other receivables	25	**152,839**	214,602
Prepaid lease payments	15	**—**	4,816
Taxation recoverable		**273**	311
Financial assets at fair value through profit or loss — structured bank deposits	20	**503,534**	—
Restricted bank deposit	26	**—**	6,418
Bank balances and cash	27	**1,290,531**	2,454,951
		6,973,649	7,664,212
Non-current assets held for sale	28	**212,213**	—
		7,185,862	7,664,212
Current liabilities			
Trade and bills payables	29	**441,514**	551,061
Other payables and accruals	30	**189,544**	173,707
Contract liabilities	31	**20,701**	27,570
Dividend payable		**189**	189
Taxation payable		**143,100**	80,365
Derivative financial instruments	32	**1,190**	1,511
Lease liabilities	33	**2,135**	—
Bank overdrafts	34	**94,250**	—
Bank borrowings — amount due within one year	34	**2,478,000**	2,692,876
Convertible bonds	35	**505,377**	389,611
		3,876,000	3,916,890
Net current assets		**3,309,862**	3,747,322
Total assets less current liabilities		**8,535,025**	9,344,387

Consolidated Statement of Financial Position

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	36	**77,691**	51,794
Reserves		**6,502,415**	6,727,501
Equity attributable to owners of the Company		**6,580,106**	6,779,295
Non-controlling interests		**17,909**	25,472
Total equity		**6,598,015**	6,804,767
Non-current liabilities			
Lease liabilities	33	**212**	—
Bank borrowings — amount due after one year	34	**1,875,545**	2,444,271
Deferred tax liabilities	21	**61,253**	95,349
		1,937,010	2,539,620
		8,535,025	9,344,387

The financial statements on pages 74 to 184 were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

Li Ming Hung	**Chen Tien Tui**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company														
	Share capital HK$'000 (Note 36)	Share premium HK$'000	Special reserve HK$'000 (note i)	Convertible bonds equity reserve HK$'000	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$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018	50,317	2,994,570	1,961	37,085	39	76,229	528,101	–	21,246	–	28,212	3,201,952	6,939,712	39,289	6,979,001
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	–	284,412	284,412	(12,905)	271,507
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(415,860)	–	–	–	–	–	(415,860)	(2,870)	(418,730)
Reclassification adjustment upon disposal of a subsidiary	–	–	–	–	–	–	(502)	–	–	–	–	–	(502)	(482)	(984)
Fair value change of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–	1,858	–	–	1,858	–	1,858
Reclassification adjustment upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–	(1,858)	–	1,858	–	–	–
Fair value adjustment of investment properties reclassified from property, plant and equipment (Note 16)	–	–	–	–	–	–	–	–	–	–	2,540	–	2,540	2,440	4,980
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(416,362)	–	–	–	2,540	286,270	(127,552)	(13,817)	(141,369)
2018 final dividend declared (Note 11)	–	–	–	–	–	–	–	50,317	–	–	–	(50,317)	–	–	–
Issue of shares under scrip dividend scheme for 2018 final dividend	1,477	15,975	–	–	–	–	–	(17,452)	–	–	–	–	–	–	–
Dividend paid in cash	–	–	–	–	–	–	–	(32,865)	–	–	–	–	(32,865)	–	(32,865)
At 31 March 2019	51,794	3,010,545	1,961	37,085	39	76,229	111,739	–	21,246	–	30,752	3,437,905	6,779,295	25,472	6,804,767
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	–	173,408	173,408	(5,416)	167,992
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(649,394)	–	–	–	–	–	(649,394)	(677)	(650,071)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(649,394)	–	–	–	–	173,408	(475,986)	(6,093)	(482,079)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,470)	(1,470)
Modification of convertible bonds	–	–	–	(1,695)	–	–	–	–	–	–	–	1,695	–	–	–
Recognition of equity-settled share-based payment (Note 38)	–	–	–	–	–	–	–	–	15,133	–	–	–	15,133	–	15,133
Rights issue (Note 36)	25,897	226,047	–	–	–	–	–	–	–	–	–	–	251,944	–	251,944
Recognition of equity components of convertible bonds	–	–	–	9,720	–	–	–	–	–	–	–	–	9,720	–	9,720
At 31 March 2020	**77,691**	**3,236,592**	**1,961**	**45,110**	**39**	**76,229**	**(537,655)**	**–**	**36,379**	**–**	**30,752**	**3,613,008**	**6,580,106**	**17,909**	**6,598,015**

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 2020

	Note	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**218,518**	293,524
Adjustments for:			
Bank interest income		**(83,873)**	(45,672)
Charge on early termination of a derivative financial instrument		**—**	2,480
Depreciation of property, plant and equipment		**367,517**	342,815
Depreciation of right-of-use assets		**9,047**	—
Share-based payment		**15,133**	—
Finance costs		**232,277**	230,787
(Gain) loss on disposal of a subsidiary	37	**(54)**	2,777
Gain on disposal of right-of-use assets		**(60,475)**	—
Gain on modification of convertible bonds		**(25,198)**	—
Impairment loss on goodwill		**—**	6,185
Impairment loss on property, plant and equipment		**47,876**	—
Impairment loss on trade receivables under expected credit losses model		**4,796**	—
Loss on disposal of property, plant and equipment		**180**	193
Net loss on fair value change of derivative financial instruments		**264**	4,356
Net gain on fair value change of financial assets at fair value through profit or loss		**(2,193)**	(3,104)
Net gain on fair value change of investment properties		**(23,162)**	(3,805)
Release of prepaid lease payments		**—**	4,849
Operating cash flows before working capital changes		**700,653**	835,385
Increase in inventories		**(214,755)**	(39,700)
(Increase) decrease in trade and bills receivables		**(24,335)**	55,193
Decrease (increase) in deposits, prepayments and other receivables		**46,767**	(33,904)
Decrease (increase) in restricted bank deposit		**6,418**	(6,418)
(Decrease) increase in trade and bills payables		**(103,835)**	74,655
(Decrease) increase in other payables and accruals		**(7,401)**	31,605
(Decrease) increase in contract liabilities		**(6,869)**	18,078
Decrease in derivative financial instruments		**(585)**	(2,289)
(Decrease) increase in borrowings from trade receivables factored with recourse		**(875)**	36,156
Cash generated from operations		**395,183**	968,761
Interest paid on bank borrowings		**(188,504)**	(190,980)
Interest received		**83,873**	45,672
Hong Kong Profits Tax (paid) refunded		**(1,767)**	4,048
PRC Enterprise Income Tax paid		**(18,523)**	(16,047)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**270,262**	811,454

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(625,480)	(992,266)
Purchase of financial assets at fair value through profit or loss		(520,897)	—
Deposits paid for acquisition of property, plant and equipment		(7,027)	(7,423)
Proceeds from disposal of right-of-use assets		138,728	—
Net cash inflow from disposal of subsidiaries	37	9,979	5,131
Proceeds from disposal of financial assets at fair value through profit or loss		1,787	—
Proceeds from disposal of property, plant and equipment		166	839
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	19,358
Withdrawal of restricted bank deposit		—	58,165
NET CASH USED IN INVESTING ACTIVITIES		(1,002,744)	(916,196)
FINANCING ACTIVITIES			
Repayment of bank loans		(567,389)	(552,811)
Net amount of import loans, export loans, trust receipts loans and term loans (repaid) raised		(306,119)	165,117
Repayment of mortgage loans		(10,884)	(671)
Principal portion of lease payments		(5,869)	—
Interest portion of lease payments		(248)	—
Proceeds from rights issue		251,944	—
Proceeds from issue of convertible bonds		129,000	—
New bank loans raised		64,302	319,059
New mortgage loans raised		42,250	—
Dividend paid to the Company's shareholders		—	(32,865)
Interest paid on convertible bonds		—	(20,000)
NET CASH USED IN FINANCING ACTIVITIES		(403,013)	(122,171)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,135,495)	(226,913)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,454,951	2,800,895
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(123,175)	(119,031)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,196,281	2,454,951
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		1,290,531	2,454,951
Bank overdrafts		(94,250)	—
		1,196,281	2,454,951

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 ("HKFRSs")

Application of new and amendments to HKFRSs

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 "Leases" ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "*Leases*" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) Int 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

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

Application of new and amendments to HKFRSs *(continued)*

HKFRS 16 "Leases" ("HKFRS 16") *(continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessees' incremental borrowing rate applied is 4.31% per annum.

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	13,449
Lease liabilities discounted at relevant incremental borrowing rates as at 1 April 2019	12,870
Analysed as:	
Current	6,581
Non-current	6,289
	12,870

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

Application of new and amendments to HKFRSs *(continued)*

HKFRS 16 "Leases" ("HKFRS 16") *(continued)*

As a lessee (continued)

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	12,870
Reclassified from prepaid lease payments (note)	185,999
	198,869
By class:	
Leasehold land	185,999
Office properties	12,870
	198,869

note: Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$4,816,000 and HK$181,183,000 respectively were reclassified to right-of-use assets.

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

Application of new and amendments to HKFRSs *(continued)*

HKFRS 16 "Leases" ("HKFRS 16") *(continued)*

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the discounting effect has had no material impact on the consolidated financial statements of the Group at 1 April 2019.

(c) Effective on 1 April 2019, the Group has applied HKFRS 15 "*Revenue from Contracts with Customers*" ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The application has had no impact on the Group's consolidated statements for the current year.

The application of HKFRS 16 has no material impact on the consolidated financial statements of the Group, as a lessor, for the year ended 31 March 2020.

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

Application of new and amendments to HKFRSs *(continued)*

HKFRS 16 "Leases" ("HKFRS 16") *(continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Prepaid lease payments	181,183	(181,183)	—
Right-of-use assets	—	198,869	198,869
Current assets			
Prepaid lease payments	4,816	(4,816)	—
Current liabilities			
Lease liabilities	—	(6,581)	(6,581)
Non-current liabilities			
Lease liabilities	—	(6,289)	(6,289)

note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HFKRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HFKRS 16	Property, Plant and Equipment — Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[5]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2022.
6 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendment to HKFRS 16 "Covid-19-Related Rent Concessions"

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Directors anticipate that the application of the amendment in the future will have no material impact on the Group's consolidated financial statements.

Amendments to HKFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the Group's annual reporting period beginning on or after 1 April 2020, with early application permitted.

The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 certain financial instruments which are measured at fair values at the end of each reporting period, 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*" ("HKFRS 2"), leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16) 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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

When 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's 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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any differences between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 HKFRS 9 "*Financial Instruments*" ("HKFRS 9") or, 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);

- 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*" ("HKFRS 5") are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 amount 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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

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 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 or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a joint venture

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

The results and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, 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 is not allocated to any asset, including goodwill, that 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a joint venture *(continued)*

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss upon disposal of the relevant joint venture.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset and disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment property which continues to be measured in accordance with HKAS 40 "Investment Property" as set out in corresponding policy below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessee (prior to 1 April 2019)

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

Refundable rental deposits (upon application of HKFRS 16 in accordance with transitions in Note 2)

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Property, plant and equipment

Property, plant and equipment are tangible assets 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.

If an item of property 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 leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) 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 accumulated profits.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) over their estimated useful lives, using the straight-line method. The estimated useful lives 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)*

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.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction.

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, adjusted to exclude any prepaid or accrued operating lease income. All of the Group's properties interests held under operating leases to earn rentals 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 they arise.

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 any subsequent accumulated impairment losses.

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 property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(continued)*

If the recoverable amount of an asset (or a 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 or the group of CGUs. 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 or the group of CGUs. 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 or a group of CGUs) 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 or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

Goodwill and fair value adjustments on identifiable assets 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.

Effective from 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

Government grants 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

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

Short-term employee 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) 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 equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. 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)*

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 taxation" 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 bases 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

For the purposes of measuring deferred tax 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 of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

A financial asset is 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 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the heading of "other gains and losses".

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and bills receivables, other receivables, restricted bank deposit and bank balances) and other item (lease receivable) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivable. The ECL on trade receivables which are not credit-impaired trade receivables is assessed collectively using a provision matrix with appropriate groupings and the ECL on credit-impaired trade receivables and lease receivable are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk *(continued)*

- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets *(continued)*

- it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (prior to 1 April 2019).

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade and bills receivables and other receivables are each assessed as a separate group.);

- past-due status; and

- nature, size and industry of debtors.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL *(continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities

Financial liabilities (including trade and bills payables, other payables, liability component of convertible bonds, bank overdrafts and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium.

Where the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derecognition/substantial modification of financial liabilities

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.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties located in Hong Kong, the Directors have determined that the presumption that the carrying amounts of investment properties located in Hong Kong are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

With regard to the Group's investment properties located in the PRC, the Directors considered that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, the Directors have determined that the presumption that the carrying amounts of investment properties located in the PRC are recovered entirely through sale is rebutted. As a result, the Group recognised deferred taxes on changes in fair value of the Group's investment properties located in the PRC on the basis that the entire carrying amounts of these properties are recovered through use. As at 31 March 2020, the deferred tax liabilities on fair value adjustments on investment properties is HK$1,881,000 (2019: HK$2,016,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgements in applying accounting policies *(continued)*

Provision of land appreciation tax ("LAT") in respect of disposal of right-of-use assets

On 3 July 2019, a wholly owned subsidiary of the Company, Nanjing Synergy entered into a resumption and relocation agreement ("the Agreement") with a limited liability company controlled by the State-owned Assets Supervision and Administration Office of the People's Government of Jiangning District, Nanjing (the "Nanjing Government") under which Nanjing Synergy agreed to surrender a piece of land in Jiangning District, Nanjing to the Nanjing Government for a consideration of RMB120,000,000 (equivalent to HK$138,728,000). During the year ended 31 March 2020, income tax expense of HK$67,757,000 related to LAT arising from disposal of right-of-use assets was provided after considering the current status of the communication with the relevant tax bureau. Details of the disposal and the related taxation are set out in Notes 7(i) and 9.

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 within the next financial year.

Provision of ECL for trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. For the Group's trade receivable, insurance policy covers up to 90% of individual trade receivables. The Group continuously monitors collections and payments from its customers, and the allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at an effective interest rate computed at initial recognition. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Provision of ECL for trade receivables *(continued)*

The Group has engaged an independent qualified professional valuer, Roma Appraisals Limited ("Roma") on measurement of loss allowance at lifetime ECL by using provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration of forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables which are credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL is disclosed in Notes 23 and 43(b) respectively. As at 31 March 2020, the carrying amount of trade receivables is HK$1,765,929,000 (2019: HK$1,842,401,000) while allowance of credit losses for trade receivables is HK$10,058,000 (2019: HK$6,362,000) respectively.

5. REVENUE

(i) Disaggregation of revenue

	2020 **HK$'000**	2019 HK$'000
Types of goods or service		
Production and sales of knitted fabric and dyed yarn	**4,298,658**	5,021,963
Production and sales of garment products	**265,611**	391,064
	4,564,269	5,413,027
Timing of revenue recognition		
At a point in time	**4,564,269**	5,413,027

(ii) Performance obligations for contracts with customers

The Group produces and sells knitted fabric, dyed yarn and garment products directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the location specified by the customers and titles are passed to the customers. The normal credit term is 30 to 120 days upon delivery.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

For production and sales of knitted fabric, dyed yarn and garment products, the performance obligation is expected to be completed within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

(ii) Garment products — Production and sale of garment products

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

Year ended 31 March 2020

	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	4,298,658	265,611	4,564,269	–	4,564,269
Inter-segment sales	685	–	685	(685)	–
Segment revenue	4,299,343	265,611	4,564,954	(685)	4,564,269
RESULTS					
Segment results	307,316	(682)	306,634	–	306,634
Unallocated corporate income					111,224
Unallocated other gains and losses					60,917
Unallocated corporate expenses					(23,184)
Impairment loss on trade receivables under ECL model					(4,796)
Finance costs					(232,277)
Profit before taxation					218,518

6. SEGMENT INFORMATION *(continued)*

Year ended 31 March 2019

	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	5,021,963	391,064	5,413,027	—	5,413,027
Inter-segment sales	20,048	—	20,048	(20,048)	—
Segment revenue	5,042,011	391,064	5,433,075	(20,048)	5,413,027
RESULTS					
Segment results	542,983	(20,206)	522,777	—	522,777
Unallocated corporate income					68,987
Unallocated other gains and losses					(48,973)
Unallocated corporate expenses					(18,480)
Finance costs					(230,787)
Profit before taxation					293,524

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, sundry income, impairment loss on property, plant and equipment, gain (loss) on disposal of a subsidiary, net loss on disposal of property, plant and equipment, net gain on fair value change of investment properties, net loss on fair value change of derivative financial instruments, net gain on fair value change of financial assets at FVTPL, gain on disposal of right-of-use assets, gain on modification of convertible bonds, loss from litigation claims, charge on early termination of a derivative financial instrument, share-based payment, 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.

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

At 31 March 2020

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	**9,715,584**	**248,201**	**9,963,785**
Unallocated assets			**2,447,240**
Consolidated total assets			**12,411,025**
LIABILITIES			
Segment liabilities	**1,030,323**	**129,160**	**1,159,483**
Unallocated liabilities			**4,653,527**
Consolidated total liabilities			**5,813,010**

At 31 March 2019

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	10,045,291	316,495	10,361,786
Unallocated assets			2,899,491
Consolidated total assets			13,261,277
LIABILITIES			
Segment liabilities	1,074,014	61,983	1,135,997
Unallocated liabilities			5,320,513
Consolidated total liabilities			6,456,510

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

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, taxation recoverable, investment properties, financial assets at FVTPL, deferred tax assets, restricted bank deposit, non-current assets held for sales, corporate assets and assets of non-core businesses, and

- all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities, bank borrowings, bank overdrafts, dividend payable, derivative financial instruments and corporate liabilities.

Other segment information

Year ended 31 March 2020

	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:			
Additions to non-current assets (note)	626,133	1,313	627,446
Depreciation of property, plant and equipment	359,754	7,763	367,517
Depreciation of right-of-use assets	5,685	3,362	9,047
Impairment loss on property, plant and equipment (Note 13)	44,729	3,147	47,876

note: Amounts represented additions to property, plant and equipment and right-of-use assets.

6. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

Year ended 31 March 2019

	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:			
Additions to non-current assets (note)	999,227	6,197	1,005,424
Depreciation of property, plant and equipment	331,850	10,965	342,815
Impairment loss on goodwill	—	6,185	6,185
Release of prepaid lease payments	4,753	96	4,849

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.

6. SEGMENT INFORMATION *(continued)*

Geographical information

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

The Group's revenue from external customers by location of customers and information about its non-current assets (excluding financial assets at FVTPL and deferred tax assets) by geographic location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**598,539**	774,175	**124,734**	117,132
Macau	**6,250**	26,269	**6**	21
The PRC	**2,340,769**	2,581,765	**4,964,467**	5,337,947
South Korea	**447,952**	502,090	**–**	–
Bangladesh	**346,350**	420,660	**–**	–
The US	**332,317**	447,954	**–**	–
Taiwan	**313,527**	389,058	**–**	–
Singapore	**78,553**	71,434	**–**	–
Vietnam	**22,992**	60,002	**–**	–
United Arab Emirates	**20,307**	1,130	**–**	–
Mexico	**14,803**	11,346	**–**	–
Indonesia	**11,464**	41,289	**–**	–
Thailand	**9,896**	9,508	**–**	–
India	**2,611**	18,148	**–**	–
Canada	**–**	30,325	**–**	–
Germany	**–**	2,879	**–**	–
Others	**17,939**	24,995	**–**	14,798
	4,564,269	5,413,027	**5,089,207**	5,469,898

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 2020 and 2019.

Information about products and services

The Group's revenue represents sale of knitted fabric, dyed yarn and garment products. 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

	2020 HK$'000	2019 HK$'000
Charge on early termination of a derivative financial instrument	—	(2,480)
Gain (loss) on disposal of a subsidiary (Note 37)	54	(2,777)
Gain on disposal of right-of-use assets (note i)	60,475	—
Gain on modification of convertible bonds	25,198	—
Impairment loss on goodwill (Note 17)	—	(6,185)
Impairment loss on property, plant and equipment	(47,876)	—
Loss from litigation claims (note ii)	(1,845)	(46,124)
Net loss on disposal of property, plant and equipment	(180)	(193)
Net loss on fair value change of derivative financial instruments	(264)	(4,356)
Net foreign exchange gain	13,109	6,095
Net gain on fair value change of financial assets at FVTPL	2,193	3,104
Net gain on fair value change of investment properties	23,162	3,805
Others	—	48
	74,026	(49,063)

notes:

(i) On 3 July 2019, Nanjing Synergy entered into the Agreement with a limited liability company controlled by the Nanjing Government under which Nanjing Synergy agreed to surrender a piece of land in Jiangning District, Nanjing to the Nanjing Government with a consideration of RMB120,000,000 (equivalent to HK$138,728,000).

During the year ended 31 March 2020, Nanjing Synergy recognised gain on disposal of right-of-use assets as below:

	2020 HK$'000
Proceeds received	138,728
Value added tax ("VAT") (inclusive in the proceeds)	(6,775)
Carrying amount of right-of-use assets	(71,478)
	60,475

7. OTHER GAINS AND LOSSES *(continued)*

notes: *(continued)*

(ii) The amount is related to the loss suffered by the Group as a result of certain court cases which were being brought against a wholly owned subsidiary of the Company arising from the use of certain unfulfilled trade bills and sales contracts which bear the company seal of the above subsidiary as collaterals by an independent third party supplier (the "Borrower") during the year ended 31 March 2017. The Borrower obtained borrowings from banks and other lenders in the PRC (the "Lenders") but subsequently failed to repay. The Lenders took legal actions against the above subsidiary to enforce their rights in relation to the collaterals. While the subsidiary defended these vigorously, the Directors reviewed, during the preparation of consolidated financial statements for the year ended 31 March 2017, the then circumstances and, taking into consideration the opinion from a legal counsel, recognised a provision for loss of HK$17,422,000 in the consolidated financial statements for that financial year.

During the year ended 31 March 2019, certain court hearings for the above legal actions taken by certain Lenders were held and the decisions were in favour of the Lenders. The subsidiary had negotiated with some of the Lenders for mutually agreed amounts of settlements. Taking into account of further legal advices, provision with an aggregate amount of HK$46,124,000 was recognised in profit or loss for the year ended 31 March 2019, in which HK$40,172,000 was related to the cases for which court decisions were issued in favour of the Lenders during the year, and the remaining HK$5,952,000 (Note 30) were made for two cases which were still in the process of court hearing based on the opinion from a legal counsel at 31 March 2019.

During the year ended 31 March 2020, court decisions were issued for the remaining two cases which were in favour of the Lenders, the Group recognised further losses of HK$2,768,000 which was the interest on the claimed amount granted by the courts. A reduction of HK$923,000 on settlement was agreed with the Lenders after negotiation. The Directors consider that the chance of incurring further losses in relation to the above matter was remote as advised by its legal counsel.

8. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest on bank borrowings	**188,504**	190,980
Interest on convertible bonds (Note 35)	**43,525**	39,807
Interest on lease liabilities	**248**	—
	232,277	230,787

9. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
The tax charge comprises:		
Current tax		
Hong Kong Profits Tax	**3,645**	6,116
PRC Enterprise Income Tax ("EIT")	**17,940**	20,154
LAT	**67,757**	—
Overprovision in respect of prior year	**(113)**	(504)
	89,229	25,766
Deferred taxation (Note 21)		
Current year	**(38,703)**	(3,749)
	50,526	22,017

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, for both years, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

9. INCOME TAX EXPENSE *(continued)*

PRC

Under the Law of the PRC on EIT and its Implementation Regulation, the tax rate of the PRC subsidiaries is 25% (except for the specified entities with their entitlement to a preferential EIT rate as mentioned below).

For the nine month period ended 31 December 2019, 江門市新會區冠華針織廠有限公司 was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. The reduced EIT rate of 15% was adopted for the three months ended 31 March 2020 as the Directors are of the view that the entity would qualify as a High and New Technology Enterprise in the year 2020, which however is subject to renewal.

For the year ended 31 March 2020 and 2019, 江門市冠達化工科技有限公司 was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. The preferential tax rate is applicable for three years until December 2020, as determined in accordance with relevant income tax rules and regulations in the PRC.

For the year ended 31 March 2019, 江門市新會區冠華針織廠有限公司 and 江門市冠達化工科技有限公司 were entitled to a reduced EIT rate of 15% as they were qualified as High and New Technology Enterprises.

For the disposal of the rights-of-use assets as set out in Note 7 (i), the Directors have considered whether the Group is subject to LAT and are of the view that there are certain arguments for the Group to qualify for exemption of such LAT. After considering the current status of the communication with the relevant tax bureau, the Directors have resolved to make a provision for LAT of HK$67,757,000 for this disposal.

Macau

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

9. INCOME TAX EXPENSE *(continued)*

Other jurisdictions

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

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:

	2020 **HK$'000**	2019 HK$'000
Profit before taxation	**218,518**	293,524
Tax at the domestic income tax rate of 16.5%	**36,055**	48,431
Tax effect of expenses that are not deductible for tax purpose	**17,833**	23,064
Tax effect of income not taxable for tax purpose	**(9,801)**	(1,946)
Tax effect of two-tiered tax regime	**(165)**	(165)
Tax effect of tax losses not recognised	**6,474**	3,275
Tax effect of utilisation of tax losses previously not recognised	**(5,208)**	(512)
Tax effect of other deductible temporary differences not recognised	**582**	(76)
Effect of tax exemptions granted to overseas subsidiaries	**(26,845)**	(46,158)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,802**	10,663
Effect of concessionary rate granted to PRC subsidiaries	**(24,132)**	(13,459)
LAT	**67,757**	—
Effect of EIT arising from provision of LAT	**(16,939)**	—
Overprovision in respect of prior year	**(113)**	(504)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	**(774)**	(596)
Income tax expense for the year	**50,526**	22,017

Details of deferred taxation are set out in Note 21.

10. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	42,105	33,248
Other staff costs		
Wages and salaries	397,537	466,665
Share-based payment	13,638	—
Severance payment	11,862	—
Retirement benefits scheme contributions (note ii)	44,697	52,991
	467,734	519,656
Total staff costs	509,839	552,904
Auditor's remuneration	4,000	3,530
Depreciation of property, plant and equipment	367,517	342,815
Depreciation of right-of-use assets	9,047	—
Release of prepaid lease payments	—	4,849
Total depreciation and amortisation	376,564	347,664
Capitalised in inventories	(300,912)	(275,647)
	75,652	72,017
and after crediting:		
Bank interest income	83,873	45,672
Government grants (note iii)	6,600	5,469
Rental income from investment properties and plant and machinery (net of negligible outgoings) (note iv)	23,017	23,315

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.

10. PROFIT FOR THE YEAR *(continued)*

notes:

(I) INFORMATION REGARDING DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

The emoluments paid or payable to each of the seven (2019: seven) Directors and the chief executive were as follows:

	Executive Directors				Independent non-executive Directors			
	Li Ming Hung HK$'000	Chen Tien Tui HK$'000	Lee Yuen Chiu Andy HK$'000	Choi Lin Hung HK$'000	Kan Ka Hon HK$'000	Phaisalakani Vichai HK$'000	Kwok Sze Chi HK$'000	Total HK$'000
2020								
Fees	–	–	–	900	240	240	240	1,620
Salaries and other benefits	11,400	11,400	1,550	2,490	–	–	–	26,840
Performance related incentive payments (note)	5,100	5,100	728	751	–	–	–	11,679
Retirement benefits scheme contributions	180	180	86	25	–	–	–	471
Share-based payment	15	15	187	1,278	–	–	–	1,495
Total emoluments	16,695	16,695	2,551	5,444	240	240	240	42,105
2019								
Fees	–	–	–	1,170	240	240	240	1,890
Salaries and other benefits	9,360	9,360	1,550	2,490	–	–	–	22,760
Performance related incentive payments (note)	3,360	3,360	728	751	–	–	–	8,199
Retirement benefits scheme contributions	144	144	86	25	–	–	–	399
Total emoluments	12,864	12,864	2,364	4,436	240	240	240	33,248

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 Directors' emoluments shown above were 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 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 (2019: four) Directors, details of whose emoluments are set out above. The emoluments of the remaining individual of the Group, not being a director of the Company, are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	1,920	1,920
Share-based payment	187	—
Performance related incentive payments	987	987
Retirement benefits scheme contributions	72	69
	3,166	2,976

During each of the years ended 31 March 2020 and 31 March 2019, (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 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 2020 and 2019, 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 benefits scheme contributions, which are based on 15% to 20% (2019: 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 benefits 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.

10. PROFIT FOR THE YEAR *(continued)*

notes: *(continued)*

(III) GOVERNMENT GRANTS

Government grants were received from the government of the PRC mainly for subsidising for the high technology development. There are no unfulfilled conditions or contingencies related to these grants.

(IV) The rental income included fixed lease payments of HK$2,603,000 from investment properties and HK$20,414,000 from a contract leasing an investment property and certain plant and machinery.

11. DISTRIBUTIONS

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution during the year:		
2018 final dividend of HK1.0 cent per ordinary share	–	50,317

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

During the year ended 31 March 2019, scrip dividend alternatives were offered in respect of the 2018 final dividend. These scrip dividend alternatives were accepted by the Shareholders as follows:

	2020 HK$'000	2019 HK$'000
Dividends:		
Cash	–	32,865
Ordinary shares alternative	–	17,452
	–	50,317

12. EARNINGS PER SHARE

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

	2020 HK$'000	2019 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**173,408**	284,412
Effect of gain on modification of convertible bonds	**(25,198)**	—
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**43,525**	39,807
Earnings for the purpose of diluted earnings per share	**191,735**	324,219
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**764,850,334**	508,959,809
Effect of dilutive potential ordinary shares:		
Convertible bonds	**425,648,316**	133,333,333
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,190,498,650**	642,293,142

The weighted average number of ordinary shares for the purposes of calculating basic earnings per share for the year ended 31 March 2020 has been adjusted, taking into account the share consolidation on 24 June 2019 and the rights issue on 18 April 2019 which were completed during the current year. The corresponding weighted average number of ordinary shares for the year ended 31 March 2019 has been retrospectively adjusted to reflect the said share consolidation and the rights issue. Details of share consolidation and rights issue of shares are set out in Note 36 to the consolidated financial statements.

The computation of diluted earnings per share for 2019 did not assume the exercise of all of the Company's share options because the adjusted exercise price of those share options was higher than the average market price for shares in that year.

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 2018	4,249,322	429,416	78,030	101,135	38,845	3,022,242	7,918,990
Exchange realignment	(193,395)	(20,441)	(2,035)	(2,983)	(899)	(137,639)	(357,392)
Transfer	1,171,500	(1,171,500)	–	–	–	–	–
Additions	–	886,077	1,096	3,661	1,754	112,836	1,005,424
Transfer to investment properties (Note 16)	(1,836)	–	–	–	–	–	(1,836)
Disposals	–	–	(2,160)	(938)	(1,016)	(2,816)	(6,930)
Disposal of a subsidiary (Note 37)	–	–	(3,971)	(5,765)	(506)	(19,450)	(29,692)
At 31 March 2019	5,225,591	123,552	70,960	95,110	38,178	2,975,173	8,528,564
Exchange realignment	(339,312)	(5,046)	(2,802)	(4,158)	(1,183)	(211,421)	(563,922)
Transfer	109,749	(697,091)	–	–	–	587,342	–
Additions	–	601,693	778	3,053	1,275	18,681	625,480
Transfer to non-current assets held for sale	(188,419)	–	(4,322)	(4,645)	(462)	(272,208)	(470,056)
Disposals	–	–	(2,106)	(1,179)	(1,043)	(1,135)	(5,463)
Disposal of a subsidiary (Note 37)	–	–	(5,342)	(14,739)	–	(10,345)	(30,426)
At 31 March 2020	**4,807,609**	**23,108**	**57,166**	**73,442**	**36,765**	**3,086,087**	**8,084,177**
DEPRECIATION AND IMPAIRMENT							
At 1 April 2018	1,208,239	–	67,253	56,921	29,018	1,908,776	3,270,207
Exchange realignment	(53,808)	–	(1,743)	(1,412)	(812)	(86,913)	(144,688)
Provided for the year	177,488	–	3,112	5,391	4,052	152,772	342,815
Eliminated on disposals	–	–	(1,928)	(923)	(788)	(2,259)	(5,898)
Disposal of a subsidiary (Note 37)	–	–	(3,839)	(4,913)	(471)	(16,745)	(25,968)
Transfer to investment properties (Note 16)	(625)	–	–	–	–	–	(625)
At 31 March 2019	1,331,294	–	62,855	55,064	30,999	1,955,631	3,435,843
Exchange realignment	(90,276)	–	(2,461)	(2,258)	(1,115)	(148,248)	(244,358)
Provided for the year	199,989	–	2,002	4,719	3,712	157,095	367,517
Eliminated on disposals	–	–	(1,870)	(1,169)	(1,043)	(1,035)	(5,117)
Impairment	–	–	1,348	1,591	31	44,906	47,876
Disposal of a subsidiary (Note 37)	–	–	(5,291)	(9,688)	–	(5,463)	(20,442)
Transfer to non-current assets held for sale	(91,782)	–	(4,322)	(4,645)	(462)	(221,708)	(322,919)
At 31 March 2020	**1,349,225**	**–**	**52,261**	**43,614**	**32,122**	**1,781,178**	**3,258,400**
CARRYING VALUES							
At 31 March 2020	**3,458,384**	**23,108**	**4,905**	**29,828**	**4,643**	**1,304,909**	**4,825,777**
At 31 March 2019	3,894,297	123,552	8,105	40,046	7,179	1,019,542	5,092,721

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

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	Over 25 years or the term of the lease, if shorter
Furniture, fixtures and equipment	15%–33⅓% per annum
Leasehold improvements	Over 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

Leasehold land and buildings located in:

	2020 HK$000	2019 HK$000
PRC	**3,447,673**	3,881,342
Hong Kong	**10,711**	12,955
	3,458,384	3,894,297

At 31 March 2020, the Group has pledged owned properties with a carrying value of approximately HK$9,659,000 (2019: HK$152,919,000) to secure general banking facilities granted to the Group.

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

The Group as lessor

The Group leases out certain machineries under operating leases. The leases typically run for an initial period of 3 years. None of the leases includes variable lease payments. The disaggregation of these machineries under operating leases included within plant and machinery and the reconciliation of the carrying amount at the beginning and end of the period are set out as below:

	HK$'000
COST	
At 1 April 2019	183,644
Exchange realignment	(12,243)
At 31 March 2020	**171,401**
DEPRECIATION	
At 1 April 2019	64,019
Provided for the year	13,548
Exchange realignment	(4,719)
At 31 March 2020	**72,848**
CARRYING VALUE	
At 31 March 2020	**98,553**

Impairment assessment

On 2 September 2019, FG Holdings, a non-wholly owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party (the "Purchaser A"), pursuant to which the Purchaser A conditionally agreed to purchase and FG Holdings conditionally agreed to sell its entire 100% equity interest in One Sino Limited. As at 30 September 2019, the assets and liabilities related to One Sino Limited and its wholly owned subsidiary, Ford Glory (Cambodia) Manufacturing Limited (collectively as "One Sino Group") as disposal group should be measured at the lower of its carrying amount and the fair value less cost to sell following initial classification as held for sale. In accordance of HKFRS 5, as at 2 September 2019, the assets and liabilities related to One Sino Group as disposal group should be measured at the lower of its carrying amount and the fair value less cost to sell at following initial classification as non-current asset held for sales. The fair value of related property, plant and equipment is determined by reference to the consideration on disposal of One Sino Group. Impairment loss of HK$3,147,000 on furniture, fixtures and equipment, leasehold improvements and plant and machinery was recognised during the year. Details of the disposal of One Sino Group are set out in Note 37.

During the current year, the Directors had resolved to terminate the yarn spinning operations in Nanjing and committed to a plan to sell the related non-current assets. As at 31 March 2020, the mentioned assets were measured at the lower of its carrying amount and the fair value less cost to sell at reporting date following initial classification as held for sale. The fair value of related property, plant and equipment is determined by reference to the consideration of sales and purchase agreement and the memorandum of understanding entered for the disposal of related property, plant and equipment. Impairment loss of HK$44,729,000 on the furniture, fixtures and equipment, motor vehicles and plant and machinery was recognised during the year.

14. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Office properties HK$'000	Total HK$'000
As at 1 April 2019			
Carrying amount	185,999	12,870	198,869
As at 31 March 2020			
Carrying amount	**42,592**	**2,317**	**44,909**
For the year ended 31 March 2020			
Depreciation charge	**3,093**	**5,954**	**9,047**
Additions	**–**	**1,966**	**1,966**
Disposal	**71,478**	**–**	**71,478**
Disposal of a subsidiary	**–**	**6,565**	**6,565**
Transfer to non-current assets held for sale	**65,076**	**–**	**65,076**
Total cash outflow for leases			**6,117**

The above items of right-of-use assets, are depreciated on a straight-line basis, at the following rates per annum:

Leasehold land	Over the shorter the leases, or its estimated useful life of 50 years (i.e. 2%)
Office properties	Over the shorter the leases, or its estimated useful life of 4 years (i.e. 25%)

For both years, the Group leases office properties for its operations. Lease contracts are entered into for fixed term of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold land.

Restrictions or covenants on leases

In addition, lease liabilities of HK$2,347,000 are recognised with related right-of-use assets of HK$2,317,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15. PREPAID LEASE PAYMENTS

	2019 HK$'000
Prepaid lease payments comprise leasehold land in the PRC	185,999
Analysed for reporting purposes as:	
Current assets	4,816
Non-current assets	181,183
	185,999

16. INVESTMENT PROPERTIES

The Group leases out various commercial properties, residential properties and industrial property under operating leases with rentals payable monthly. The leases typically run for an initial period of two to five years. Minimum annual lease payment that are fixed over the lease term.

	HK$'000
FAIR VALUES	
At 1 April 2018	183,350
Transfer from property, plant and equipment (Note 13)	1,211
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	4,980
Increase in fair value recognised in profit or loss	3,805
Exchange realignment	(4,775)
At 31 March 2019	188,571
Increase in fair value recognised in profit or loss	23,162
Exchange realignment	(6,933)
At 31 March 2020	**204,800**

During the year ended 31 March 2019, a portion of the Group's office premises located in Hong Kong with a carrying amount of HK$1,211,000 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, net of non-controlling interest, of HK$2,540,000 has been credited to the property revaluation reserve during the year ended 31 March 2019. The fair value of these office premises was determined based on the income approach.

16. INVESTMENT PROPERTIES *(continued)*

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 as investment properties.

The fair value of the Group's investment properties at 31 March 2020 and 2019 has been arrived at based on valuations carried out by Roma.

The fair value of industrial property is determined based on the 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 form of obsolescence and optimisation.

The fair value of residential properties is determined by reference to the recent market prices for similar prices for similar properties in similar locations and conditions.

The fair value of commercial properties is determined based on the market comparable approach or the income approach, where appropriate. Market comparable approach is based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property. In arriving at the valuation on the basis of income approach, 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. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

16. INVESTMENT PROPERTIES *(continued)*

The fair value measurements for all of the Group's investment properties are categorised as level 3.

Descriptions	Fair value	Valuation Techniques	Significant unobservable inputs	Relationship of non-observable inputs to fair value
Industrial property in Jiangmen, PRC	**HK$105,000,000** (2019: HK$96,071,000)	Replacement costs approach	Current costs of replacements of the properties based on the type of building structure and taking into account market data on current construction costs for similar properties located in nearby cities, from HK$3,166/sq.m. to HK$4,766/sq.m. (2019: from HK$3,333/sq.m. to HK$4,222/sq.m.)	A significant increase in costs of replacement would result in a significant increase in the fair value, and vice versa.
			Market value of the land of HK$780/sq.m. (2019: HK$650/sq.m.)	A significant increase in market value would result in a significant increase in the fair value, and vice versa.
			Estimated depreciation over the remaining useful life of 34 years (2019: 35 years)	A significant increase in estimated depreciation would result in a significant decrease in the fair value, and vice versa.
Residential properties in Hong Kong	**HK$28,800,000** (2019: HK$30,000,000)	Market comparable approach	Transaction prices for similar properties after accounting for floor areas and floor level from HK$13,279/sq.ft. to HK$15,304/sq.ft. (2019: from HK$15,846/sq.ft. to HK$16,486/sq.ft.)	A significant increase in transaction prices would result in a significant increase in the fair value, and vice versa.
Commercial properties in Hong Kong	**HK$17,600,000** (2019: HK$18,500,000)	Market comparable approach	Transaction prices for similar properties after accounting for floor areas and floor level from HK$2,356/sq.ft. to HK$2,659/sq.ft. (2019: from HK$2,700/sq.ft. to HK$2,800/sq.ft.)	A significant increase in transaction prices would result in a significant increase in the fair value, and vice versa.

16. INVESTMENT PROPERTIES *(continued)*

Descriptions	Fair value	Valuation Techniques	Significant unobservable inputs	Relationship of non-observable inputs to fair value
Commercial properties in Hong Kong	**HK$53,400,000** (2019: HK$44,000,000)	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 from HK$23.0/sq.ft./month to HK$24.0/sq.ft./month (2019: from HK$19.0/sq.ft./month to HK$20.0/sq.ft./month)	A significant increase in market rent would result in a significant increase in the fair value, and vice versa.
			Market yield, taking into account the annual unit market rental income of comparable properties and market value of the comparable properties of 2.80% (2019: 2.70%)	A significant increase in the market yield used would result in a significant decrease in fair value, and vice versa.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique or level of fair value hierarchy during the year.

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

	2020 **HK$'000**	2019 HK$'000
The Group's investment properties comprise:		
Investment properties located in:		
PRC	**105,000**	96,071
Hong Kong	**99,800**	92,500
	204,800	188,571

17. GOODWILL

	HK$'000
COST	
At 1 April 2018, 31 March 2019 and 31 March 2020	**6,185**
IMPAIRMENT	
At 1 April 2018	—
Impairment	(6,185)
At 31 March 2019 and 31 March 2020	**(6,185)**
CARRYING VALUES	
At 31 March 2019 and 31 March 2020	**–**

As explained in Note 6, the Group has two (2019: two) operating segments. For the purposes of impairment testing, goodwill was allocated to an individual CGU, which is 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 2019, impairment loss amounting to HK$6,185,000 was recognised in respect of the above CGU due to the continuous deterioration of performance. The recoverable amount of this unit had been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets with a growth rate of 5% approved by management covering a 5-year period, and a pre-tax discount rate of 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 CGUs' past performance and management's expectations for the market development.

18. INTANGIBLE ASSET

	HK$000
COST	
At 1 April 2018, 31 March 2019 and 31 March 2020	**1,000**
IMPAIRMENT	
At 1 April 2018, 31 March 2019 and 31 March 2020	**(1,000)**
CARRYING VALUES	
At 31 March 2019 and 31 March 2020	**–**

18. INTANGIBLE ASSET *(continued)*

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

19. INTEREST IN A JOINT VENTURE

	2020 and 2019
	HK$'000
Cost of unlisted investment in a joint venture	1,340
Share of post-acquisition losses	(1,340)
	–

As at 31 March 2020 and 31 March 2019, 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.	Incorporated	Canada	Canada	50%	Inactive

The joint venture is inactive and has insignificant assets and liabilities. The Group has discontinued recognition of its share of losses 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.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Current		
Structured bank deposits (note i)	**503,534**	–
Non-current		
Investment in an unlisted trust fund (note ii)	**–**	2,057
Life insurance policies (note iii)	**125,685**	123,222
	125,685	125,279
	629,219	125,279

notes:

(i) During the year ended 31 March 2020, the Group invested in structured deposits with banks in the PRC, with maturity of 161 days to 365 days. The banks have guaranteed 100% of the investment principal amount plus a minimum return ranging from 0.00% to 4.10% per annum, depending on the performance of its underlying investments, including foreign currencies, interest rate linked products or stock market index. The Directors consider the fair values of the financial products approximate to the acquisition cost at the end of the reporting period because of their short maturities.

(ii) The investment in an unlisted trust fund was measured at fair value. The trust fund invested in a wide range of equity or debt investment products. The fair value was based on quoted price from a financial institution. During the year ended 31 March 2020, the investment was disposed of for a cash consideration of US$229,000 (equivalent to HK$1,787,000), and the loss on fair value change of financial assets at FVTPL is included in "Other gains and losses".

(iii) The Group entered into several life insurance policies with an insurance company to insure against the death and permanent disability of certain executive directors. Under the policies, the beneficiary and policy holder are the Company, VC Company and Global Honour Investments Limited, wholly owned subsidiaries of the Company, and the total insured sum is approximately US$31,800,000 (equivalent to HK$247,274,000). The contracts will be terminated on the occurrence of the earliest of the death of the key management personnel insured or other terms pursuant to the contracts. The Company has paid out the total insurance premium with an aggregate amount of approximately US$15,327,000 (equivalent to approximately HK$118,952,000) at the inception of the policies. The Group may request a surrender of the contracts at any time and receive cash back based on the cash value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). A guaranteed interest rate of 4.25%–5.20% per annum applied to the contracts for the first year, followed by the discretionary portion with a minimum guaranteed interest rate of 2%–3% per annum for the following years until termination. The fair value is based on redemption value quoted by the financial institutions.

21. 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:

	2020 **HK$'000**	2019 HK$'000
Deferred tax assets	**10,271**	1,888
Deferred tax liabilities	**(61,253)**	(95,349)
	(50,982)	(93,461)

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, right-of-use assets and property, plant and equipment arising from 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 2018	55,860	(705)	43,547	2,118	(2,490)	98,330
(Credit) charge to profit or loss	(3,464)	311	(596)	–	–	(3,749)
Disposal of a subsidiary (Note 37)	–	1,662	–	–	602	2,264
Exchange realignment	(2,330)	–	(952)	(102)	–	(3,384)
At 31 March 2019	50,066	1,268	41,999	2,016	(1,888)	93,461
(Credit) charge to profit or loss	(29,863)	516	(774)	–	(8,582)	(38,703)
Exchange realignment	(1,066)	–	(2,774)	(135)	199	(3,776)
At 31 March 2020	**19,137**	**1,784**	**38,451**	**1,881**	**(10,271)**	**50,982**

21. DEFERRED TAXATION *(continued)*

At 31 March 2020, the Group has unused tax losses of HK$225,375,000 (2019: HK$252,884,000) available for offsetting against future profits. No deferred tax asset on the unused tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$9,966,000, HK$6,108,000 and HK$16,945,000 that will expire on 31 December 2020, 31 December 2023 and 31 December 2024, respectively (2019: HK$47,748,000, HK$12,011,000, HK$1,397,000 and HK$12,048,000 will expire on 31 December 2019, 31 December 2020, 31 December 2022 and 31 December 2023, respectively). The remaining unused tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has other deductible temporary differences of HK$264,000 (2019: HK$684,000), HK$10,058,000 (2019: HK$6,362,000) and HK$248,000 (2019: nil) in respect of unrealised fair value losses on derivative financial instruments, allowance for credit losses and interest on lease liabilities 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 the PRC subsidiaries from 1 January 2008 onwards. At the end of the reporting period, the Group has accumulated profits of the PRC subsidiaries amounting to HK$1,024,964,000 (2019: HK$857,286,000). Deferred tax liabilities has been recognised in respect of HK$384,512,000 (2019: HK$419,992,000) of such accumulated profits. No deferred tax liabilities has been recognised in respect of the remaining HK$640,452,000 (2019: HK$437,294,000) of such accumulated profits as it is the intention of the Directors to retain certain earnings within these subsidiaries.

22. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials	**1,372,593**	1,630,229
Work in progress	**1,066,160**	898,755
Finished goods	**821,726**	610,589
	3,260,479	3,139,573

23. TRADE AND BILLS RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables — from contracts with customers	**1,775,987**	1,848,763
Less: Allowance for credit losses	**(10,058)**	(6,362)
	1,765,929	1,842,401
Bills receivables	**64**	1,140
	1,765,993	1,843,541

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$1,933,911,000.

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 credit losses), presented based on the invoice date, which approximated the respective revenue recognition date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0–60 days	**773,217**	1,159,317
61–90 days	**453,572**	390,651
91–120 days	**279,299**	185,560
Over 120 days	**259,905**	108,013
	1,765,993	1,843,541

23. TRADE AND BILLS RECEIVABLES *(continued)*

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:

	2020	2019
	HK$'000	HK$'000
HK$	**–**	3,210
RMB	**32,551**	27,040
US$	**281,032**	255,037

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.

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$259,905,000 (2019: HK$108,013,000) which are past due as at the reporting date. Out of the past due balances, HK$17,623,000 (2019: HK$3,180,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. Details of impairment assessment are set out in Note 43(b).

For the Group's trade receivable, insurance policy covers up to 90% of individual trade receivables.

The Group factored certain trade 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 2020, the carrying amount of trade receivables factored with recourse was HK$127,551,000 (2019: HK$128,742,000).

24. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's trade receivables as at 31 March 2020 that were transferred to banks by factoring those trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the trade receivables and has recognised the cash received on the transfer as secured borrowing (see Note 34). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2020	2019
	HK$'000	HK$'000
Carrying amount of trade receivables	**127,551**	128,742
Carrying amount of associated liabilities	**(127,089)**	(127,964)

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Deposits paid for purchase of raw materials and garment products	**138,830**	170,862
Other deposits and prepayments	**5,116**	13,671
Lease receivable	**1,644**	15,952
VAT and other tax receivables	**3,063**	5,399
Other receivables	**4,186**	8,718
	152,839	214,602

Details of impairment assessment are set out in Note 43(b).

26. RESTRICTED BANK DEPOSIT

The amounts of HK$6,418,000 as at 31 March 2019 represented restricted bank deposit placed with a bank in relation to one of the court cases as set out in Note 7(ii). The restriction was released during the year ended 31 March 2020 following the settlement of the court case.

27. BANK BALANCES AND CASH

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

	2020 HK$'000	2019 HK$'000
Bank balances and cash	**379,692**	1,872,679
Short term deposits	**910,839**	582,272
	1,290,531	2,454,951

The bank balances and short term deposits carry interest at prevailing market rates ranging from 0.001% to 2.150% (2019: 0.001% to 4.000%) per annum for the year.

27. BANK BALANCES AND CASH *(continued)*

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:

	2020	2019
	HK\$'000	HK\$'000
HK\$	**1,918**	496
RMB	**209**	519
US\$	**28,501**	16,609

Details of impairment assessment are set out in Note 43(b).

28. NON-CURRENT ASSETS HELD FOR SALE

During the current year, the Directors had resolved to terminate the yarn spinning operations in Nanjing that forms one of the component of the knitted fabric and dyed yarn segment and committed to a plan to sell the related non-current assets. Efforts to sell the mentioned assets have commenced and sales and purchase agreement on property, plant and equipment has been signed with a deposit of HK\$21,700,000 received during the year ended 31 March 2020. The disposal of remaining non-current assets is expected to be completed within one year from end of the reporting period. Accordingly, the mentioned assets have been classified as non-current assets held for sale and are presented separately in the consolidated statement of financial position.

In accordance of HKFRS 5, as at 31 March 2020, the mentioned assets were measured at the lower of its carrying amount and the fair value less cost to sell at reporting date following initial classification as held for sale. Impairment loss of HK\$44,729,000 on the property, plant and equipment was recognised during the year.

The major classes of non-current assets of the production line classified as held for sale are as follows:

	HK\$'000
Property, plant and equipment	**147,137**
Right-of-use assets	**65,076**
	212,213

29. TRADE AND BILLS PAYABLES

The followings are aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Trade payables		
0–60 days	**189,516**	139,922
61–90 days	**60,432**	45,319
91–120 days	**34,573**	39,066
Over 120 days	**43,378**	37,672
	327,899	261,979
Bills payables		
0–60 days	**47,973**	100,706
61–90 days	**13,794**	78,707
91–120 days	**19,753**	109,420
Over 120 days	**32,095**	249
	113,615	289,082
	441,514	551,061

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:

	2020 HK$'000	2019 HK$'000
US$	**55,176**	51,760

30. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Accruals	**100,170**	90,296
Rental deposit received	**10,216**	10,785
VAT and other tax payables	**49,086**	49,619
Provision of litigation	**—**	5,952
Deposit received for disposal of property, plant and equipment	**21,700**	—
Other payables	**8,372**	17,055
	189,544	173,707

31. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Knitted fabric and dyed yarn	**20,701**	27,570

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

As at 1 April 2018, contract liabilities amounted to HK$9,801,000.

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**27,570**	9,801

32. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Liabilities	
	2020	2019
	HK$'000	HK$'000
Interest rate swap	**1,190**	1,511

note: At 31 March 2020, the total notional amount of the interest rate swap contract which swap interest rate from floating rate at 3-month HIBOR per annum to a fixed rate of 3.56% (2019: 3.56%) per annum amounted to HK$40,000,000 (2019: HK$40,000,000). The interest rate swap is to be net-settled on a quarterly basis over the period from 31 May 2020 to 31 May 2021 (2019: from 31 May 2019 to 31 May 2021).

33. LEASE LIABILITIES

	2020
	HK$'000
Lease liabilities payable:	
Within one year	**2,135**
In more than one year but not more than two years	**212**
	2,347

34. BANK BORROWINGS/BANK OVERDRAFTS

	2020	2019
	HK$'000	HK$'000
Bank loans	**2,811,393**	3,316,935
Trade receivables factored with recourse	**127,089**	127,964
Import loans, export loans, trust receipts loans and term loans	**1,374,221**	1,682,772
Mortgage loans	**40,842**	9,476
Bank overdrafts	**94,250**	—
	4,447,795	5,137,147
Analysed as:		
— secured	**206,678**	309,163
— unsecured	**4,241,117**	4,827,984
	4,447,795	5,137,147

34. BANK BORROWINGS/BANK OVERDRAFTS *(continued)*

	2020 HK$'000	2019 HK$'000
Carrying amounts of bank borrowings and overdrafts that do not contain repayment on demand clause and repayable (note):		
Within one year	**624,282**	618,628
In more than one year but not more than two years	**1,875,545**	568,726
In more than two years but not more than three years	**—**	1,875,545
	2,499,827	3,062,899
Carrying amounts of bank borrowings that contain repayment on demand clause and repayable (note):		
Within one year	**1,814,966**	1,983,473
In more than one year but not more than two years	**7,407**	3,861
In more than two years but not more than five years	**22,221**	11,583
Over five years	**103,374**	75,331
	1,947,968	2,074,248
	4,447,795	5,137,147
Less: Amounts shown as bank borrowings		
— amount due within one year	**(2,478,000)**	(2,692,876)
Amount shown as bank overdrafts	**(94,250)**	—
Amounts shown as bank borrowings		
— amount due after one year	**1,875,545**	2,444,271

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

34. BANK BORROWINGS/BANK OVERDRAFTS *(continued)*

The above includes syndicated loans of HK$2,463,000,000 (2019: HK$2,898,000,000) which bears interest at HIBOR plus 1.68% per annum or London Inter-Bank Offered Rate ("LIBOR") plus 1.68% per annum with a tenure of 4 years (2019: HIBOR plus 1.68% per annum or LIBOR plus 1.68% per annum with a tenure of 4 years). The Group's fixed-rate bank borrowings bear interest at 6.5% (2019: N/A). The Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 1% to 2.5% per annum, or LIBOR plus 0.7% to 2.25% per annum for the year ended 31 March 2020 (2019: 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 ("PBOC") Prescribed Rate times 1.1 per annum). The range of effective interest rates of the Group's bank borrowings are 2.13% to 6.50% per annum (2019: 2.2% to 5.51% per annum). The Group's bank overdrafts bear interest rates which fall within the range of prime rate plus 0.5% to 1% per annum (2019: prime rate plus 0.5% to 1% 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:

	2020	2019
	HK$'000	HK$'000
HK$	**55,826**	70,690
US$	**617,828**	489,074

35. CONVERTIBLE BONDS

CB 1 (as defined below) & CB 2 (as defined below)

On 22 September 2017, the Company issued convertible bonds to Pearl Garden and Madian Star with an aggregate principal sum of HK$400,000,000 (the "CB 1") at a total consideration of HK$400,000,000.

CB 1 carried 5% coupon interest per annum payable in arrears semi-annually.

The holders of the CB 1 and the Company have the option to redeem the whole or part of the outstanding CB 1 at any time during the period commencing from 22 September 2017 and expiring on 23 September 2019 at par value plus accrued interest ("Holders and Issuer Redemption Options of CB1).

The holders of the CB1 have the right to convert the principal amount of CB 1 into ordinary shares of the Company at a conversion price of HK$0.30 per share at any time during the period commencing from 22 September 2017 up to 23 September 2019, subject to the minimum public float requirement. On 24 June 2019, the conversion price of CB 1 has been adjusted upon the completion of the share consolidation from HK$0.30 per share to HK$3.00 per share.

At initial recognition, the equity component of the CB 1 was separated from the liability component. The equity element is presented in equity heading "convertible bonds equity reserve". The Holders and Issuer Redemption Options of CB 1 is considered as closely related to the host debt. The effective interest rate of the liability component is 10.40% per annum.

35. CONVERTIBLE BONDS *(continued)*

CB 1 (as defined below) & CB 2 (as defined below) *(continued)*

On 28 June 2019, the Company and the holders of CB 1 entered into an agreement in relation to the redemption of the CB 1 in principal amount of HK$400,000,000 by way of issuance of the convertible bond in an aggregate principal amount of HK$400,000,000 (the "CB 2").

CB 2 carried 5% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the CB 2 will be fully redeemed by the Company at its principal amount upon maturity on 28 June 2021.

The holders of the CB 2 and the Company have the option to redeem the whole or part of the outstanding CB 2 at any time during the period commencing from 28 June 2019 and expiring on 28 June 2021 at par value plus accrued interest ("Holders and Issuer Redemption Options of CB2").

The holders of the CB 2 have the right to convert the principal amount of CB 2 into ordinary shares of the Company at a conversion price of HK$1.06 per share at any time during the period commencing from 28 June 2019 up to 28 June 2021, subject to the minimum public float requirement.

The redemption of CB 1 and issuance of CB 2 is accounted for as modification of CB 1 with gain on modification of liability component of HK$25,198,000 recognised during the current year. The Holders and Issuer Redemption Options of CB2 is considered as closely related to the host debt. The effective interest rate of the liability component of CB 2 is 9.77% per annum.

CB 3 (as defined below)

On 13 August 2019, the Company issued convertible bonds to a third party with an aggregate principal sum of HK$64,000,000 (the "CB 3") at a total consideration of HK$64,000,000.

CB 3 carried 5% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the CB 3 will be fully redeemed by the Company at its principal amount upon maturity on 13 August 2021.

The holders of the CB 3 and the Company have the option to redeem the whole or part of the outstanding CB 3 at any time during the period commencing from 13 August 2019 and expiring on 13 August 2021 at par value plus accrued interest ("Holder and Issuer Redemption Options of CB3").

The holder of the CB 3 have the right to convert the principal amount of CB 3 into ordinary shares of the Company at a conversion price of HK$0.64 per share at any time during the period commencing from 13 August 2019 up to 13 August 2021, subject to the minimum public float requirement.

At initial recognition, the equity component of the CB 3 was separated from the liability component. The equity element is presented in equity heading "convertible bonds equity reserve". The Holder and Issuer Redemption Options of CB 3 is considered as closely related to the host debt. The effective interest rate of the liability component is 8.04% per annum.

35. CONVERTIBLE BONDS *(continued)*

CB 4 (as defined below)

On 23 October 2019, the Company issued convertible bonds to a third party with an aggregate principal sum of HK$65,000,000 (the "CB 4") at a total consideration of HK$65,000,000.

CB 4 carried 5% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the CB 4 will be fully redeemed by the Company at its principal amount upon maturity on 25 October 2021.

The holder of the CB 4 and the Company have the option to redeem the whole or part of the outstanding CB 4 at any time during the period commencing from 23 October 2019 and expiring on the 25 October 2021 at par value plus accrued interest ("Holder and Issuer Redemption Options of CB4").

The holder of the CB 4 have the right to convert the principal amount of CB 4 into ordinary shares of the Company at a conversion price of HK$0.65 per share at any time during the period commencing from 23 October 2019 up to 25 October 2021, subject to the minimum public float requirement.

At initial recognition, the equity component of the CB 4 was separated from the liability component. The equity element is presented in equity heading "convertible bonds equity reserve". The Holder and Issuer Redemption Options of CB 4 is considered as closely related to the host debt. The effective interest rate of the liability component is 10.03% per annum.

The movements of the liability component of the convertible bonds during the both years are set out below:

	CB1 HK$'000	CB2 HK$'000	CB3 HK$'000	CB4 HK$'000	Total HK$'000
At 1 April 2018	369,804	—	—	—	369,804
Interest accrued	39,807	—	—	—	39,807
Interest paid	(20,000)	—	—	—	(20,000)
At 31 March 2019	389,611	—	—	—	389,611
Issue of convertible bonds	—	—	64,000	65,000	129,000
Equity component on initial recognition	—	—	(3,698)	(6,022)	(9,720)
Modification of convertible bonds	(389,808)	364,610	—	—	(25,198)
Interest accrued	10,087	27,701	3,113	2,624	43,525
Interest payable	(9,890)	(10,110)	(1,227)	(614)	(21,841)
At 31 March 2020	**—**	**382,201**	**62,188**	**60,988**	**505,377**

36. SHARE CAPITAL

	note	Number of shares	Amount HK$'000
Authorised:			
As at 1 April 2018 and 31 March 2019 (HK$0.01 each)		40,000,000,000	400,000
Share Consolidation	(iii)	(36,000,000,000)	—
As at 31 March 2020 (HK$0.1 each)		**4,000,000,000**	**400,000**
Issued and fully paid:			
As at 1 April 2018 (HK$0.01 each)		5,031,744,205	50,317
Issue of Shares pursuant to scrip dividend scheme for 2018 final dividend	(i)	147,669,002	1,477
As at 31 March 2019 (HK$0.01 each)		5,179,413,207	51,794
Rights issue	(ii)	2,589,706,603	25,897
Share Consolidation	(iii)	(6,992,207,829)	—
As at 31 March 2020 (HK$0.1 each)		**776,911,981**	**77,691**

notes:

(i) On 9 November 2018, the Company issued and allotted a total of 147,669,002 Shares of HK$0.01 each at an issue price of HK$0.11818 each in lieu of cash for the 2018 final dividends pursuant to the scrip dividend circular to the Shareholders dated 28 September 2018. These shares ranked pari passu in all respects with the then existing Shares.

(ii) On 19 February 2019, the Company announced a rights issue on the basis of one rights shares for every two existing shares held by the Shareholders at a subscription price of HK$0.098 per rights share. The rights issue was completed and 2,589,706,603 ordinary shares was issued on 18 April 2019. After deducting the expenses in connection with the right issue of HK$1,847,000, the net proceeds from issuance were HK$251,944,000. Details of the rights issue were disclosed in the Company's announcements dated 19 February 2019, 13 March 2019, 17 April 2019 and prospectus dated 26 March 2019.

(iii) On 2 May 2019, the Directors put forward to the Shareholders a proposal of Share Consolidation on the basis that every ten issued and unissued shares of HK$0.01 each in the share capital of the Company be consolidated into one consolidated share of HK$0.1 each. An ordinary resolution to approve the Share Consolidation was duly passed by the Shareholders by way of poll at the special general meeting of the Company held on 21 June 2019 where the Share Consolidation was effective on 24 June 2019.

37. DISPOSAL OF A SUBSIDIARY

For the year ended 31 March 2020

On 2 September 2019, FG Holdings, a non-wholly owned subsidiary of the Group, entered into a sale and purchase agreement with Purchaser A, pursuant to which Purchaser A conditionally agreed to purchase and FG Holdings conditionally agreed to sell its entire 100% equity interest in One Sino Group at a cash consideration of US$1,280,000 (equivalent to HK$9,984,000) plus a variable consideration based on the net current assets value of One Sino Group at the completion date of US$533,000 (equivalent to HK$4,157,000). The One Sino Group is principally engaged in the manufacturing of garment products in Cambodia. The disposal was completed on 14 October 2019 and the One Sino Group ceased to be subsidiaries of the Group.

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

	HK$'000
Consideration:	
Cash received	14,141
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	9,984
Right-of-use assets	6,565
Inventories	1,332
Trade receivables	384
Deposits, prepayments and other receivables	1,413
Bank balances and cash	4,162
Trade payables	(481)
Other payables and accruals	(2,652)
Lease liabilities	(6,620)
Net assets disposed of	14,087
Gain on disposal:	
Consideration	14,141
Net assets disposed of	(14,087)
	54
Net cash inflow arising on disposal:	
Cash consideration received	14,141
Less: Bank balances and cash disposed of	(4,162)
	9,979

37. DISPOSAL OF A SUBSIDIARY *(continued)*

For the year ended 31 March 2019

On 21 February 2019, FG Holdings, a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party ("Purchaser B"), pursuant to which Purchaser B conditionally agreed to purchase and FG Holdings conditionally agreed to sell its entire 100% equity interest in Surefaith Limited and its subsidiary (collectively referred to as the "Surefaith Group") at a cash consideration of HK$7,352,000. The Surefaith Group is principally engaged in the manufacturing of garment products in Indonesia. The disposal was completed on 1 March 2019 and the Surefaith Group ceased to be subsidiaries of the Group.

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

	HK$'000
Consideration:	
Cash received	7,352
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	3,724
Trade receivables	536
Deposits, prepayments and other receivables	7,848
Bank balances and cash	2,221
Deferred tax assets	2,264
Trade payables	(458)
Other payables and accruals	(5,022)
Net assets disposed of	11,113
Loss on disposal:	
Consideration	7,352
Net assets disposed of	(11,113)
Cumulative exchange difference in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	984
	(2,777)
Net cash inflow arising on disposal:	
Cash consideration received	7,352
Less: Bank balances and cash disposed of	(2,221)
	5,131

38. SHARE-BASED PAYMENT TRANSACTIONS

On 15 March 2011, a share option scheme (the "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 Scheme is effective for a period of 10 years. The Scheme was adopted for the primary purpose of providing incentives or rewards to selected participants for their contributions to the Group. Under the Scheme, the Directors 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 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 Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on 15 March 2011. Such 10% limit may be refreshed, subject to specific approval by the Shareholders, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the Shareholders, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

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

The options granted on 12 October 2016 and 18 April 2019 vested immediately.

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

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

Category	Date of grant	Exercise price per share HK$	Adjusted exercise price per share HK$ (note)	Exercisable period	Number of option shares: Outstanding at 1.4.2018 and 31.3.2019	Granted during the year	Adjustments due to Rights Issue and/or the Share Consolidation during the year	Lapsed during the year	Outstanding at 31.3.2020
Directors									
Mr. Li Ming Hung	18 April 2019	0.1002	1.0020	18.04.2019–17.04.2024	–	400,000	(360,000)	–	40,000
Mr. Chen Tien Tui	18 April 2019	0.1002	1.0020	18.04.2019–17.04.2024	–	400,000	(360,000)	–	40,000
Mr. Lee Yuen Chiu Andy	18 April 2019	0.1002	1.0020	18.04.2019–17.04.2024	–	5,000,000	(4,500,000)	–	500,000
Mr. Choi Lin Hung	12 October 2016	0.391	3.7200	12.10.2016–11.10.2021	15,721,500	–	(14,144,005)	–	1,577,495
	18 April 2019	0.1002	1.0020	18.04.2019–17.04.2024	–	34,225,047	(30,802,542)	–	3,422,505
Employees	12 October 2016	0.391	3.7200	12.10.2016–11.10.2021	238,966,800	–	(214,988,872)	–	23,977,928
	18 April 2019	0.1002	1.0020	18.04.2019–17.04.2024	–	344,470,713	(310,023,642)	(85,000)	34,362,071
Others	12 October 2016	0.391	3.7200	12.10.2016–11.10.2021	28,298,700	–	(25,459,208)	–	2,839,492
	18 April 2019	0.1002	1.0020	18.04.2019–17.04.2024	–	20,605,084	(18,544,576)	–	2,060,508
					282,987,000	405,100,844	(619,182,845)	(85,000)	68,819,999
Exercisable at the end of the year					282,987,000				68,819,999
Weighted average exercise price (HK$)					0.373				2.122

note: Adjustments are made for rights issue and Share Consolidation.

At 31 March 2020, the weighted average remaining contractual life was 2.42 years (2019: 2.53 years).

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

On 18 April 2019, the Company granted 405,100,844 new share options to the eligible Directors and eligible employees under the Scheme. The exercise price of the options granted is HK$0.1002 per share (before Share Consolidation) while the closing price of the share immediately before the date of grant is HK$0.098 (before Share Consolidation). The fair value of these options was determined to be HK$0.374 per option (after Share Consolidation), arrived at using the Binomial model with the following variables and assumptions:

	18 April 2019
Grant date share price (before Share Consolidation)	HK$0.098
Exercise price (before Share Consolidation)	HK$0.1002
Expected life	5 years
Expected volatility	44.79%
Dividend yield	0%
Risk-free interest rate	1.57%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

As a result of the rights issue on 6 January 2017 and 18 April 2019, the exercise price of the share options granted on 12 October 2016 was adjusted from HK$0.391 to HK$0.373 and from HK$0.373 to HK$0.372.

As a result of the Share Consolidation, adjustments were made to the exercise price of and the number of the outstanding share options under the Scheme in the following manner with effect from 24 June 2019:

	Immediately before Share Consolidation		**Immediately after Share Consolidation**	
Date of grant	**Number of outstanding share options**	**Exercise price per share** HK$	**Adjusted number of outstanding share options**	**Adjusted exercise price** HK$
12 October 2016	283,949,156	0.3720	28,394,915	3.7200
18 April 2019	405,100,844	0.1002	40,510,084	1.0020
	689,050,000		68,904,999	

The fair value of the share options granted on 14 April 2019 was HK$15,133,000 (2019: nil) and the amount was fully recognised as share-based payment expense during the year ended 31 March 2020.

39. 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:

	2020 HK$'000	2019 HK$'000
Property, plant and equipment	9,659	152,919
Prepaid lease payments	–	140,125
Investment properties	82,200	30,000
Life insurance policies	125,685	123,222
	217,544	446,266

40. COMMITMENTS

(i) Capital commitments

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	35,701	160,685

(ii) Operating lease commitments

The Group as lessee

	2019 HK$'000
Minimum lease payments paid under operating leases in respect of office properties during the year	12,101

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office properties which fall due as follows:

	2019 HK$'000
Within one year	7,055
In the second to fifth year inclusive	6,394
	13,449

40. COMMITMENTS *(continued)*

(ii) Operating lease commitments *(continued)*

The Group as lessee (continued)

Leases were negotiated for terms ranging from one to five years and rental was fixed throughout the lease period and the operating lease payment represented rental payable by the Group for its office properties.

The Group as lessor

Rental income earned from investment properties and plant and machinery during the year was HK$23,017,000 (2019: HK$23,315,000).

At 31 March 2020, the Group has contracted with lessees for the following undiscounted lease payments to be received:

	2020
	HK$'000
Within one year	**21,111**
In the second year to fifth year inclusive	**5,236**
	26,347

At 31 March 2019, the Group had contracted with lessees for the following future minimum lease payments:

	2019
	HK$'000
Within one year	23,589
In the second to fifth year inclusive	27,649
More than five years	1,023
	52,261

41. RELATED PARTY DISCLOSURES

The Group entered into the following transactions with related parties:

(i) Upon the adoption of HKFRS 16 on 1 April 2019, the Group recognised right-of-use assets and lease liabilities of HK$1,405,000 on the lease from Verdure Enterprises Limited ("Verdure"). At 31 March 2020, the related lease liabilities were HK$865,000. During the year ended 31 March 2020, the Group made repayment on principal portion of HK$1,163,000 to Verdure and interest on lease liabilities of HK$37,000. During the year ended 31 March 2019, the Group paid operating lease payments of HK$1,200,000 to Verdure. Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a director of the Company who has significant influence over the Company, and his family members.

(ii) Upon the adoption of HKFRS 16 on 1 April 2019, the Group recognised right-of-use assets and lease liabilities of HK$606,000 on the lease from Takemain Development Limited ("Takemain"). At 31 March 2020, the related lease liabilities was HK$606,000. During the year ended 31 March 2020, the Group made repayment on principal portion of HK$790,000 to Takemain and interest on lease liabilities of HK$26,000. During the year ended 31 March 2019, the Group paid operating lease payments of HK$816,000 to Takemain. Takemain is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a director and a shareholder of the Company who has significant influence over the Company, and his family members.

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

(iii) On 28 June 2019, the Company, Pearl Garden and Madian Star entered into an agreement in relation to the redemption of the CB 1 in principal amount of HK$400,000,000 by way of issuance of the CB 2. Details of the above are set out in Note 35. Pearl Garden is an investment holding company incorporated in the British Virgin Islands whose issued share capital is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members. Madian Star is an investment holding company incorporated in the British Virgin Island whose issued share capital is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members.

(iv) FG International, a non-wholly owned subsidiary of the Group, entered into a sale and purchase agreement with Treasure Success to conditionally sell the investment property and four car park spaces at a consideration of HK$63,000,000 in aggregate. On 31 October 2019, one of the conditions precedent as set out in the agreement was not satisfied. The disposal did not proceed and the sale and purchase agreement was terminated.

Treasure Success is a wholly owned subsidiary of Jerash Holdings (US) Inc., which is held by Mr. Choi Lin Hung, a Director and Shareholder, and Mr. Ng Tsze Lun, a director of FG International, as to approximately 38.01% and approximately 8.73% respectively.

41. RELATED PARTY DISCLOSURES *(continued)*

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

	2020	2019
	HK$'000	HK$'000
Short-term benefits	**43,046**	35,757
Share-based payment	**1,682**	—
Retirement benefits scheme contributions	**543**	467
	45,271	36,224

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

42. 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 debts, which includes the borrowings and convertible bonds disclosed in Note 34 and 35, net of cash and cash equivalents disclosed in Note 27, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

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

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost	3,060,710	4,313,628
FVTPL	629,219	125,279
Financial liabilities		
Amortised cost	5,434,974	6,094,874
Derivative financial instruments	1,190	1,511

(b) Financial risk management objectives and policies

The Group's major financial instruments include restricted bank deposit, trade and bills receivables, other receivables, financial assets at FVTPL, derivative financial instruments, bank balances and cash, trade and bills payables, other payables, liability component of convertible bonds, bank overdrafts, bank borrowings and lease liabilities. 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$. During the year ended 31 March 2020, the Group entered into certain forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB and US$. The contracts are settled during the year ended 31 March 2020.

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

	Liabilities		Assets	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
HK$	55,826	70,690	1,918	3,706
RMB	—	—	32,760	27,559

43. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(i) Currency risk (continued)

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 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 (decrease) increase by:

	2020 **HK$'000**	2019 HK$'000
(Loss) gain in relation to:		
HK$	**(2,251)**	(2,512)
RMB	**1,368**	1,151

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate short term deposits, lease liabilities, fixed-rate bank borrowings and convertible bonds (see Note 27, 33, 34 and 35 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation variable-rate bank deposits and balances and bank borrowings (see Notes 27 and 34 for details). The management monitors interest rate exposure and considers hedging significant interest rate exposure. The Group has entered into interest rate swap (see Note 32) which, however, are not qualified for applying hedge accounting.

Several bank borrowings (Note 34) 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.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank balances, variable-rate bank borrowings and interest rate swap 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. 10 basis point increase or decrease in interest rate on variable-rate bank balances and 50 basis point increase or decrease in interest rate on variable-rate bank borrowings and interest rate swap, are 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 10 basis point higher or lower on its variable-rate bank balances and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2020 would increase or decrease by HK$322,000 (2019: HK$1,595,000). If interest rates had been 50 basis point higher or lower on its variable-rate bank borrowings and interest rate swap and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2020 would decrease or increase by HK$18,296,000 (2019: HK$21,489,000).

Credit risk and impairment assessment

As at 31 March 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the 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 this regard, the directors consider that the Group's credit risk is significantly reduced. For the Group's trade receivable, insurance policy covers up to 90% of individual trade receivables. In addition, the Group performs impairment assessment under ECL model under application of HKFRS 9 on trade balances based on provision matrix, and trade receivables which are credit-impaired are assessed for ECL individually.

The credit risk on unlisted fund, life insurance policies and derivative financial instruments is limited because the counterparties are financial institutions with good reputation.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Accordingly, the Group's concentration of credit risk is considered minimal.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	Debtor with no history of default	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays but usually settle in full after due date with prior history of default	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

The tables below detail the credit risk exposures of the Group's trade receivables, bills receivables discounted with recourse, other receivables, restricted bank deposit and bank balances which are subject to ECL assessment:

Financial assets at amortised cost

	Note	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2020 HK$'000	2019 HK$'000
Trade receivables	23	(note ii)	Lifetime ECL (provision matrix)	**1,773,820**	1,845,693
		Loss	Credit-impaired	**2,167**	3,070
Bills receivables	23	(note i)	12m ECL	**64**	1,140
Other receivables	25	(note i)	12m ECL	**4,186**	8,718
Lease receivable	25	Low risk	Lifetime ECL (provision matrix)	**1,644**	15,952
Restricted bank deposit	26	Low risk	12m ECL	**–**	6,418
Bank balances	27	Low risk	12m ECL	**1,290,531**	2,454,951

notes:

(i) For bills receivables and other receivables, the Group measures the loss allowance equal to 12m ECL. The Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. The credit risk on bills receivables and other receivables are limited because the counterparties have no historical default record and the ECL on these items are considered insignificant.

(ii) For the Group's trade receivable, insurance policy covers up to 90% of individual trade receivables. The Group has engaged an Roma on measurement of loss allowance at lifetime ECL by using provision matrix to calculate ECL for the trade receivables. Except for debtors which are credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its knitted fabric and dyed yarn and garment products respectively. The following tables provide information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2020 within lifetime ECL (not credit-impaired). Debtors that are credit-impaired with gross carrying amounts of HK$2,167,000 (2019: HK$3,070,000) as at 31 March 2020 were assessed individually.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Gross carrying amount assessed based on provision matrix

Knitted fabric and dyed yarn

Internal credit rating	2020 Average loss rate	2020 Trade receivables HK$'000	2019 Average loss rate	2019 Trade receivables HK$'000
Low risk	0.43%	1,739,947	0.16%	1,802,033

Garment products

Internal credit rating	2020 Average loss rate	2020 Trade receivables HK$'000	2019 Average loss rate	2019 Trade receivables HK$'000
Low risk	1.05%	33,873	0.75%	43,660

The average loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Gross carrying amount assessed based on provision matrix (continued)

During the year ended 31 March 2020, the Group provided HK$4,796,000 (2019: Nil) impairment allowance for trade receivables, based on the provision matrix.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2018	3,356	3,070	6,426
Exchange realignment	(64)	—	(64)
As at 31 March 2019	3,292	3,070	6,362
Impairment loss recognised, net of reversal	4,796	—	4,796
Impairment written off	—	(903)	(903)
Exchange realignment	(197)	—	(197)
As at 31 March 2020	**7,891**	**2,167**	**10,058**

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.

43. 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$'000	Carrying amount at 31 March 2020 HK$'000
2020							
Non-derivative financial liabilities							
Trade, bills and other payables	–	169,848	74,226	237,728	–	481,802	481,802
Bank borrowings on							
Variable rate	3.67%	1,948,458	290,021	279,813	1,887,088	4,405,380	4,392,239
Fixed rate	6.50%	–	–	55,856	–	55,856	55,556
Convertible bonds	9.60%	505,377	–	–	–	505,377	505,377
Lease liabilities	4.31%	178	356	1,605	219	2,358	2,347
		2,623,861	364,603	575,002	1,887,307	5,450,773	5,437,321
Derivative – net settlement							
Interest rate swap		–	167	749	285	1,201	1,190

43. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk (continued)

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2019 HK$'000
2019							
Non-derivative financial liabilities							
Trade, bills and other payables	–	170,949	212,278	184,889	–	568,116	568,116
Bank borrowings							
Variable rate	2.50%	2,125,193	279,045	294,147	2,579,434	5,277,819	5,137,147
Convertible bonds	10.40%	389,611	–	–	–	389,611	389,611
		2,685,753	491,323	479,036	2,579,434	6,235,546	6,094,874
Derivative – net settlement							
Interest rate swap		–	201	512	830	1,543	1,511

Bank loans with a repayable on demand clause and convertible bonds which can be redeemed on demand are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2020, the aggregate outstanding principal amounts of these bank loans and carrying amount of convertible bonds amounted to HK$1,947,968,000 (2019: HK$2,074,248,000) and HK$505,377,000 (2019: HK$389,611,000), 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 and convertible bonds will be fully repaid in accordance with the scheduled repayment dates set out in the loan agreements, as follows.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

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

	Weighted average effective interest rate	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2020							
Bank borrowings	**3.63%**	**187,166**	**1,385,910**	**239,070**	**139,073**	**1,951,219**	**1,947,968**
Convertible bonds	**9.60%**	**–**	**13,225**	**13,225**	**543,499**	**569,949**	**505,377**
		187,166	**1,399,135**	**252,295**	**682,572**	**2,521,168**	**2,453,345**
2019							
Bank borrowings	2.70%	898,629	685,840	410,040	101,774	2,096,283	2,074,248
Convertible bonds	10.40%	–	10,000	404,658	–	414,658	389,611
		898,629	695,840	814,698	101,774	2,510,941	2,463,859

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.

(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 amortised cost

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.

43. 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

The Group's derivative financial instruments and financial assets at FVTPL are measured at fair value at the end of each reporting period. The Group's financial assets at FVTPL of HK$629,219,000 (2019: HK$125,279,000) at 31 March 2020 is measured based on quoted price and redemption value quoted by bank/financial institutions. 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 derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used):

Financial assets/liabilities	Fair value as at 2020	Fair value as at 2019	Fair value hierarchy	Valuation technique and key inputs
Structured bank deposits (note i)	**Assets – HK$503,534,000**	–	Level 2	Quoted price from banks
Interest rate swap classified as derivative financial instruments (note ii)	**Liability – HK$1,190,000 (Not designated for hedging)**	Liability – HK$1,511,000 (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 and risk-free rate
Life insurance policies	**Assets – HK$125,685,000**	Assets – HK$123,222,000	Level 2	Redemption value quoted by the financial institutions
Unlisted trust fund	**–**	Assets – HK$2,057,000	Level 2	Net asset value the fund provided by the financial institutions, which is based on the fair value of the underlying investments

notes:

(i) No sensitivity is presented as the Directors considered that the slight change in relevant inputs would not have a significant impact to their fair values.

(ii) The discounted cash flow method uses 3-month HIBOR as input.

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

43. 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)*

Fair value hierarchy

	31 March 2020			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Life insurance policies	**–**	**125,685**	**–**	**125,685**
Structured bank deposits	**–**	**503,534**	**–**	**503,534**
Financial liability				
Derivative financial instruments	**–**	**1,190**	**–**	**1,190**

	31 March 2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Unlisted trust fund	–	2,057	–	2,057
Life insurance policies	–	123,222	–	123,222
Financial liability				
Derivative financial instruments	–	1,511	–	1,511

43. FINANCIAL INSTRUMENTS *(continued)*

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

Reconciliation of Level 3 fair value measurements of financial assets

	Structured foreign currency forward contracts HK$'000	Interest rate collars HK$'000	Total HK$'000
At 1 April 2018	920	1,235	2,155
Amount paid during the year	1,549	—	1,549
Fair value loss (note)	(2,469)	(1,235)	(3,704)
At 31 March 2019 and 31 March 2020	**–**	**–**	**–**

note: The amount is included in loss on fair value change of derivative financial instruments 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, an independent qualified professional valuer not connected with the Group, to perform the valuations of the interest rate swap for financial reporting purposes, including Level 2 fair value measurements of financial instruments. As a part of the valuation process, the Financial Controller reports the findings to the Directors 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.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$'000	Bank borrowings except bank overdrafts HK$'000 (note i)	Convertible bonds HK$'000 (note ii)	Lease liabilities HK$'000	Total HK$'000
At 1 April 2018	191	5,177,305	369,804	–	5,547,300
Financing cash flows	(32,865)	(69,306)	(20,000)	–	(122,171)
Operating cash flows (note iii)	–	36,156	–	–	36,156
Non-cash changes					
Interest accrued of convertible bonds	–	–	39,807	–	39,807
2018 final dividend declared	32,865	–	–	–	32,865
Others	(2)	–	–	–	(2)
Exchange realignment	–	(7,008)	–	–	(7,008)
At 31 March 2019	189	5,137,147	389,611	–	5,526,947
Adjustment upon application of HKFRS 16 (Note 2)	–	–	–	12,870	12,870
At 1 April 2019	189	5,137,147	389,611	12,870	5,539,817
Financing cash flows	–	(777,840)	129,000	(6,117)	(654,957)
Operating cash flows (note iii)	–	(875)	–	–	(875)
Non-cash changes					
Additions of lease liabilities	–	–	–	1,966	1,966
Disposals of a subsidiary	–	–	–	(6,620)	(6,620)
Equity component of convertible bonds	–	–	(9,720)	–	(9,720)
Interest accrued of lease liabilities	–	–	–	248	248
Interest payable	–	–	(21,841)	–	(21,841)
Modification of convertible bonds	–	–	(25,198)	–	(25,198)
Interest accrued of convertible bonds	–	–	43,525	–	43,525
Exchange realignment	–	(4,887)	–	–	(4,887)
At 31 March 2020	**189**	**4,353,545**	**505,377**	**2,347**	**4,861,458**

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(continued)*

notes:

(i) The cash flows from bank borrowings comprise the net amount of new bank loans, import loans, export loans, trust receipts loans, term loans and mortgage loans raised and the corresponding repayments.

(ii) The cash flows from convertible bonds comprise the net amount of net proceeds from issue of convertible bonds and interest paid on convertible bonds.

(iii) The amount represented the net cash flows (used in) generated from borrowings from trade receivables factored with recourse.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2020 and 2019 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 2020	Attributable to the Group 2019	Held by the Company 2020	Held by the Company 2019	Held by subsidiaries 2020	Held by subsidiaries 2019	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	British Virgin Islands	Ordinary US$100	51	51	–	–	100	100	Investment holding
FG International	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
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	100	100	–	–	100	100	Provision of management services
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	–	–	–	100	Procurement of fabric
VC Company	Hong Kong	Ordinary HK$10 Deferred HK$8,000,000 (note i)	100	100	–	–	100	100	Trading of knitted fabric
Victory City Holdings Limited	British Virgin Islands	Ordinary US$6	100	100	100	100	–	–	Investment holding
VC Investments	British Virgin Islands	Ordinary US$1	100	100	100	100	–	–	Investment holding
VC Overseas	British Virgin Islands	Ordinary US$2 Preference US$3,300 (note ii)	100	100	–	–	100	100	Investment holding

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage						Principal activities
			Attributable to the Group		Held by the Company		Held by subsidiaries		
			2020	2019	2020	2019	2020	2019	
江門市新會區冠華針織廠有限公司 (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 Limited (note iii)	PRC	Registered HK$31,260,000	51	51	–	–	100	100	Production of garment products
福之源貿易(上海)有限公司 (note iii)	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 (note iii)	PRC	Verified paid up registered approximate to RMB46,000,000	90	90	–	–	90	90	Mixing of chemicals
Nanjing Synergy (note iii)	PRC	Registered US$39,000,000	100	100	–	–	100	100	Production and trading of yarn
One Sino Limited (note iv)	British Virgin Islands	Ordinary US$101 (2019: US$100)	–	51	–	–	–	100	Investment holding

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 was disposed of on 14 October 2019. Details of the disposal of the subsidiary are set out in Note 37.

(v) The Company was deregistered on 26 December 2019.

None of the subsidiaries had any debt securities subsisting at 31 March 2020 and 2019 or at any time during the years.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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 19 (2019: 23) inactive/dormant subsidiaries. To give details of these inactive/dormant subsidiaries would, in the opinion of the Directors, result in particulars of excessive length. The non-controlling interest of all non-wholly owned subsidiaries are individually immaterial.

46. INFORMATION OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 March 2020 and 31 March 2019 is as follows:

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investment in subsidiaries	2,853,295	2,655,406
Amounts due from subsidiaries	2,183,821	1,153,113
	5,037,116	3,808,519
Current assets		
Deposits, prepayment and other receivables	1,380	2,447
Amounts due from subsidiaries	1,051,193	1,839,594
Taxation recoverable	273	—
Bank balances	827	577
	1,053,673	1,842,618
Current liabilities		
Other payables	29,370	22,950
Amounts due to subsidiaries	211,302	211,302
Dividend payable	189	189
Taxation payable	—	120
Convertible bonds	505,377	389,611
	746,238	624,172
Net current assets	307,435	1,218,446
Net assets	5,344,551	5,026,965
Capital and reserves		
Share capital	77,691	51,794
Share premium and reserves (note)	5,266,860	4,975,171
Total equity	5,344,551	5,026,965

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

note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds equity reserve HK$'000	Share option reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2018	2,994,570	39	37,085	21,246	–	1,567,057	4,619,997
Profit for the year	–	–	–	–	–	389,516	389,516
2018 Final dividend declared (Note 12)	–	–	–	–	50,317	(50,317)	–
Issue of shares under scrip dividend for 2018 final dividend	15,975	–	–	–	(17,452)	–	(1,477)
Dividends paid in cash	–	–	–	–	(32,865)	–	(32,865)
At 31 March 2019	3,010,545	39	37,085	21,246	–	1,906,256	4,975,171
Profit for the year	–	–	–	–	–	40,789	40,789
Modification of convertible bonds	–	–	(1,695)	–	–	1,695	–
Recognition of equity-settled share-based payment	–	–	–	15,133	–	–	15,133
Rights issue (Note 36)	226,047	–	–	–	–	–	226,047
Recognition of equity component of convertible bonds	–	–	9,720	–	–	–	9,720
At 31 March 2020	**3,236,592**	**39**	**45,110**	**36,379**	**–**	**1,948,740**	**5,266,860**

47. EVENT AFTER THE REPORTING PERIOD

On 11 May 2020, the Company proposed for a rights issue of shares in the Company on the basis of two rights shares for every one existing share at the subscription price of HK$0.14 per rights share, to raise proceeds of approximately HK$212,235,000 after deducting expenses. The rights issue is subject to the approval of Shareholders at the special general meeting scheduled on 10 July 2020. Details of this rights issue are set out in the circular of the Company dated 18 June 2020.

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
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