VICTORY CITY INTERNATIONAL HOLDINGS LIMITED

冠華國際控股有限公司

stock code 股份代號 ：539

2016

ANNUAL REPORT 年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Hang Seng Bank Limited
Fubon Bank (Hong Kong) Limited
Rabobank International
Nanyang Commercial Bank, Limited
CTBC Bank Co., Ltd.
First Commercial Bank Limited
China Construction Bank (Jiangmen Xinhui Sub-branch)
Bank of China (Jiangmen Xinhui Sub-branch)
E. Sun Commercial Bank, Ltd.
Industrial Bank of Taiwan Co., Ltd.
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
United Overseas Bank Limited
Australia and New Zealand Banking Group Limited
Wing Lung Bank Limited
Cathay United Bank Company, Limited
OCBC Wing Hang Bank Limited
Banco Comercial De Macau, S.A.

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY WEBSITE

www.victorycity.com.hk

FINANCIAL HIGHLIGHTS AND SUMMARY

RESULTS

	Year ended 31 March				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Revenue	3,835,261	4,085,368	5,371,883	5,137,415	**4,911,216**
Profit before tax	373,642	231,327	293,019	544,772	**282,400**
Income tax expense	(26,509)	(23,512)	(10,841)	(28,372)	**(32,880)**
Profit for the year	347,133	207,815	282,178	516,400	**249,520**
Attributable to:					
Owners of the Company	341,249	205,767	277,389	400,459	**241,811**
Non-controlling interests	5,884	2,048	4,789	115,941	**7,709**
	347,133	207,815	282,178	516,400	**249,520**
Distributions	96,986	70,436	92,856	160,113	**217,871**

ASSETS AND LIABILITIES

	At 31 March				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	7,244,923	8,555,645	9,403,140	10,069,054	**10,799,123**
Total liabilities	(2,586,485)	(3,644,441)	(4,170,206)	(4,554,967)	**(5,184,525)**
	4,658,438	4,911,204	5,232,934	5,514,087	**5,614,598**
Equity attributable to:					
Owners of the Company	4,421,909	4,661,973	4,974,393	5,369,399	**5,460,564**
Non-controlling interests	236,529	249,231	258,541	144,688	**154,034**
	4,658,438	4,911,204	5,232,934	5,514,087	**5,614,598**

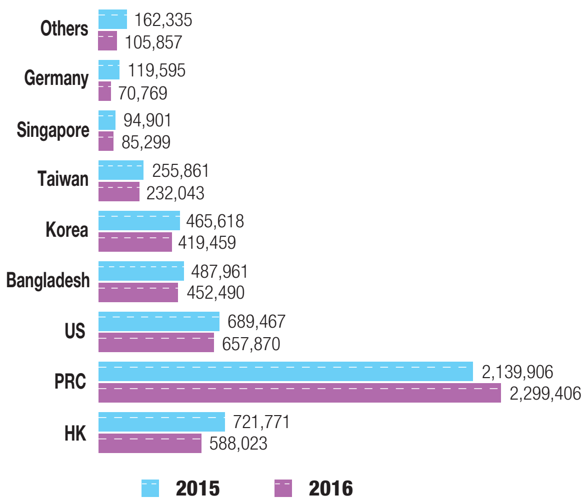
Financial Highlights and Summary

REVENUE BY BUSINESS SEGMENTS

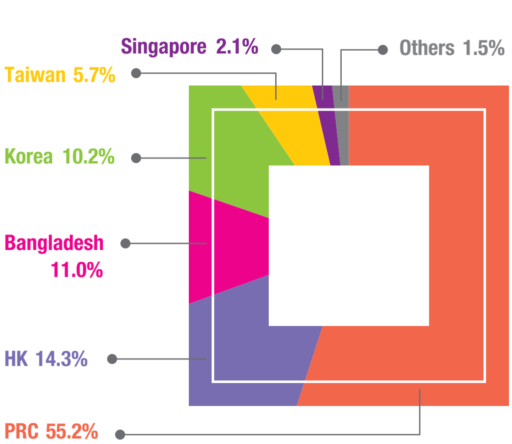
HK$'000

REVENUE BY GEOGRAPHICAL SEGMENTS

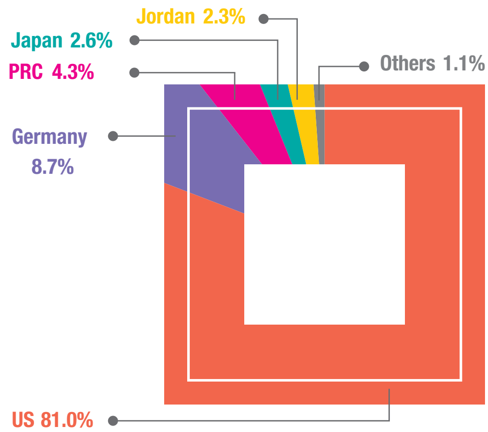
HK$'000



KNITTED FABRIC AND DYED YARN



GARMENT PRODUCTS



CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Victory City International Holdings Limited (the "Company") and its subsidiary companies (the "Group"), I am pleased to present the annual results for the year ended 31 March 2016.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK1.0 cent per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31 March 2016 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 2 September 2016 and also to recommend the offer to the Shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (the "Scrip Dividend Scheme"), subject to the approval of the Shareholders on the payment of final dividend at the annual general meeting of the Company (the "AGM") and the granting by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of, and permission to deal in, the Shares to be issued pursuant thereto.

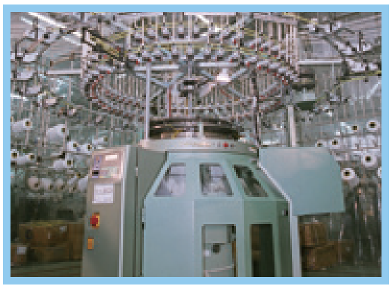
The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31 March 2016.

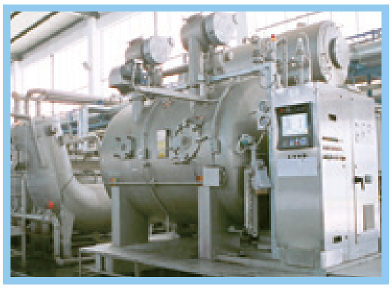
On condition that the payment of the above final dividend is approved by the Shareholders at the AGM, a circular containing details of the Scrip Dividend Scheme will be despatched to the Shareholders shortly after the AGM.

BUSINESS REVIEW

The financial year ended 31 March 2016 was challenging for the textile and garment industry as the gloomy economic conditions continued to bring difficulties to the operating environment. The United States of America ("US") market showed positive sentiments during the first half of the reporting period but became uncertain in the second half. US customers were concerned about the slowdown of global economy. Cotton price continued to drop, which resulted in a delayed ordering process by many buyers. The unfavourable market conditions together with the continuously surging production costs inevitably affected the Group's globalised business in terms of both revenue and profitability.

During the reporting period, the consolidated revenue of the Group amounted to approximately HK$4,911 million, representing a slight decrease of approximately 4.4% in comparison with the previous fiscal year (2015: HK$5,137 million). Gross





profit was approximately HK$873 million, representing a decline of approximately 8.7% from the previous year (2015: HK$957 million). Profit attributable to owners of the Company for the reporting year amounted to approximately HK$242 million, which included net loss on fair value change of derivative financial instruments of approximately HK$26 million, net loss on fair value change of a restricted bank deposit of approximately HK$1 million and a one-off amortisation of bank arrangement fee of approximately HK$19 million. For the previous fiscal year, profit attributable to owners of the Company was approximately HK$400 million, which included gain on disposal of subsidiaries of approximately HK$228 million, net gain on fair value change of a restricted bank deposit of approximately HK$3 million and net loss on fair value change of derivative financial instruments of approximately HK$28 million. Hence, profit from core operation for the year ended 31 March 2016 was approximately HK$277 million after adjusting the above-mentioned non-operating gains and losses, representing a decrease of approximately 11.3% from the previous year (2015: HK$313 million). Basic earnings per share was HK11.9 cents (2015: HK22.6 cents).

Textile Business

For the year ended 31 March 2016, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 83% of the Group's consolidated revenue.

During the reporting period, the Group's order book for knitted fabric remained strong and utilisation of the textile production plants in the People's Republic of China ("PRC") sustained at a high level. The increase in production output had offset the approximately 5% decrease in the average selling price attributable to the continuous drop in cotton price. As a result, the revenue of the textile segment slightly decreased by approximately 2.6% to approximately HK$4,100 million (2015: HK$4,211 million).

During the year, the Group has replaced numerous relatively less advanced and less efficient production facilities in the Xinhui production plants including fabric knitting machines, dyeing machines and finishing machines with new and latest models which provide better production efficiency, less wastage and higher energy saving. In addition, anticipating further tightening of the PRC environmental protection measures and to cater for future capacity expansion, the Group has invested significantly to enhance and upscale the existing effluent discharge facilities. To cope with the stringent air pollution regulations, a new flue gas desulphurization system was installed in the coal-fired power plant. The management believes that implementing environmentally sustainable measures can assist the Group in minimising wastage, boosting efficiency and retaining competitiveness in the ongoing market consolidation.

Chairman's Statement

Garment Business

The Group's garment business continued to provide stable contribution in the year. For the year ended 31 March 2016, revenue of the garment business was approximately HK$811 million, with a decrease of approximately 11.6% from approximately HK$918 million in last year. The decrease was mainly attributable to the disposal of garment sourcing business in July 2014 which accounted for approximately HK$89 million of revenue last year. In fact, revenue of the garment business in the current year would be comparable to that of last year if the discontinued operation was excluded. Gross profit increased by approximately 2.0% to approximately HK$175 million with improving gross profit margin from 18.7% to 21.6% due to the Group's effort in focusing on higher margin orders and optimising order allocation amongst different production bases in Cambodia, Indonesia and Jordan, which provided increasing leverage to our business.

Net profit after tax for the year ended 31 March 2016 showed a decrease of 36.5% to approximately HK$17.6 million from HK$27.7 million in last year. Excluding the net loss on fair value change of derivative financial instruments for forward contracts hedging Renminbi ("RMB") against the US dollars ("US$") of approximately HK$19.8 million in the year ended 31 March 2016, and approximately HK$2.1 million in the year ended 31 March 2015 respectively, the net operating profit after tax exhibited an increase of approximately 25.3% to approximately HK$37.4 million against approximately HK$29.8 million last year with improving net operating profit margin from approximately 3.2% to 4.6%.

The Group will continue to utilise the capability in managing garment production bases in offshore locations with comparative benefits such as lead time, labour costs, duty privilege, etc. in order to maintain long term growth and competitiveness of the Group's garment business.

Major Movements

A HK$2,888 million syndicated loan obtained

On 23 December 2015, the Group obtained a syndicated loan facility of HK$2,888 million for a term of three and a half years from a syndicate of 21 international and regional banks, at an interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 2.17% per annum. The loan was mainly used for refinancing the syndicated loan of HK$1,988 million obtained in 2014 and for general working capital. With the loan in place, the Board is confident in pursuing the Group's business objectives and future expansion plans.

Completion of top-up placings and subscriptions of a total of 372,460,000 Shares with net proceeds of approximately HK$337.6 million

On 25 September 2015 and 6 November 2015, the Group completed two top-up share placings and subscriptions of 186,460,000 Shares and 100,000,000 Shares respectively at the placing price of HK$1.0 per Share. On 15 February 2016, the Group completed another top-up share placing and subscription of 86,000,000 Shares at the placing price of HK$0.65 per Share. The total net proceeds amounted to approximately HK$337.6 million. The three successful transactions reflected the market's confidence in the Group's business fundamentals and directions, and will provide additional funding for the Group's future developments in fabric manufacturing business, specifically the expansion of synthetic fabric production as well as improvement of the Group's environmental protection facilities in its Xinhui production plants.

PROSPECTS

Looking forward to 2016/17, the uncertainties surrounding the global economy are expected to linger on and consumer sentiments would become softened. The Group remains cautiously optimistic on the outlook of the textile and garment industry. In response to the difficulties and challenges ahead, the Group is fine-tuning its sales strategies and focusing on research and development of synthetic fabric. The Group will enhance its production capacity for synthetic fabric in order to capture the growing demand from the global market and its existing customers.

Since the signing of the Trans-Pacific Strategic Economic Partnership Agreement (the "TPP") in February 2016, there is uncertainty about how the new import duty free arrangement amongst the members under the TPP after the TPP takes formal effect would affect the operation of countries currently enjoying import duty free privileges from the US. The Group has been recently approached by an independent third party for a potential acquisition of the Group's operation in Jordan. The Group is assessing the pros and cons based on, amongst others, the potential impact of the TPP on its existing offshore factories (especially in Jordan), investment opportunities in other offshore locations, especially Vietnam, and the proposed offer price. As at the date of this report, no agreement has been reached between the Group and the third party.

Besides, the Group will also closely monitor the impact of the TPP to its upstream manufacturing business. If the TPP terms are favourable, the Group will consider establishing a new textile plant in Vietnam in the near future.

Chairman's Statement

Looking ahead, the Group will continue to strengthen competitiveness of its one-stop vertically integrated business model. Against the backdrop of having a handful of market opportunities ahead, the Group will endeavour to achieve sustainability and stability of its business so as to secure the best interest of its shareholders.

APPRECIATION

On behalf of the Board, I am pleased to express my sincere appreciation to our customers, business partners, suppliers and bankers for their continuous support to the Group during the period. I sincerely hope our employees will be able to develop together with the Group and realise their potential in the Group.

I would also thank our shareholders for their kind support and confidence in the Group during the past year.

Li Ming Hung
Chairman

Hong Kong
28 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2016 decreased by approximately 4.4% to HK$4,911 million, mainly due to approximately 5% drop in average selling price of the textile products attributable to the continuous decrease in cotton price. Revenue of the garment business for the current year was comparable to the previous year after excluding the revenue generated from garment sourcing business which had been disposed of in July 2014.

During the year under review, the profit margin of the textile business was adversely affected by the decrease in revenue. On the other hand, the Group also took advantage of its self-production garment plants in Cambodia, Indonesia and Jordan which enhanced the profit margin of the garment segment.

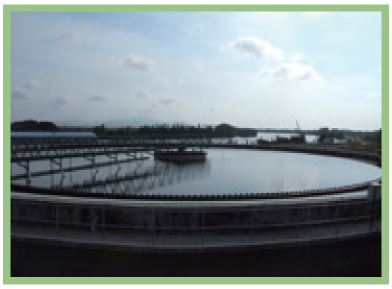
Other income mainly comprised interest income of approximately HK$50.6 million (2015: HK$26.0 million), sample and scrap sales of approximately HK$32.4 million (2015: HK$15.6 million) and rental income of approximately HK$25.4 million (2015: 1.6 million).

Other gains and losses mainly comprised the fair value changes of derivative financial instruments. For the year ended 31 March 2016, there was a net loss of approximately HK$26.2 million (2015: net loss of HK$28.1 million).

Finance costs increased from approximately HK$124.6 million in 2015 to approximately HK$140.4 million in 2016, mainly due to the increase in bank borrowings of the Group. On the other hand, increased bank balances and cash generated interest income of approximately HK$50.6 million which offset the increase in interest expenses. The Group has used its best endeavour in obtaining favourable banking facilities with its bankers so as to reduce its finance costs.

Liquidity and Financial Resources

As at 31 March 2016, the Group had total assets of approximately HK$10,799 million (2015: HK$10,069 million) which were financed by current liabilities of approximately HK$2,581 million (2015: HK$2,894 million), long term liabilities of approximately HK$2,604 million (2015: HK$1,661 million) and shareholders' equity of approximately HK$5,461 million (2015: HK$5,369 million). The current ratio was approximately 2.6 (2015: 2.2) 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 40.2% (2015: 32.1%). All of the Group's borrowings were at floating rate basis.



Management Discussion and Analysis

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

Foreign Exchange and Interest Rate Risks

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

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars ("HK$"), RMB and US$. The fluctuations in the US$ and 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$788 million on additions to property, plant and equipment.

As at 31 March 2016, the Group had capital commitments of approximately HK$49 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 2016, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK$393 million (2015: HK$406 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 31 March 2016, the total number of employees of the Group was approximately 1,580 in Cambodia, approximately 2,250 in Jordan, approximately 1,280 in Indonesia, approximately 4,940 in the PRC and approximately 130 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management

staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

Major Customers and Suppliers

For the year under review, sales to the five largest customers of the Group accounted for approximately 22.0% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 7.4%.

Purchase from the five largest suppliers of the Group accounted for approximately 19.0% of the total purchases for the year and purchase from the largest supplier included therein accounted for approximately 7.2%.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Ming Hung, aged 65, is the Chairman of the Company and a co-founder of the Group. He has over 39 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group. Mr. Li resigned from his position as a non-executive director of Highlight China IoT International Limited ("Highlight China", formerly known as Ford Glory Group Holdings Limited), a company listed on the Main Board of the Stock Exchange, on 16 August 2014.

Mr. Chen Tien Tui, aged 67, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 37 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group. Mr. Chen resigned from his position as a non-executive director of Highlight China on 16 August 2014. He resigned from his position as an independent non-executive director of China Lilang Limited, a company listed on the Main Board of the Stock Exchange, on 19 April 2016.

Mr. Lee Yuen Chiu, Andy, aged 51, is an executive Director. He has over 30 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 54, is an executive Director. He holds a Master in Business Administration and is responsible for the strategic planning and corporate development of the Group. Prior to joining the Group in 2001, Mr. Choi has over 9 years banking experience and 6 years management experience in garment and textile industry. Mr. Choi resigned from his positions as the chairman of the board, the chief executive officer and an executive director of Highlight China on 16 August 2014.

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 65, 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 68, 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 retired from the positions of executive director and chief financial officer of Willas-Array Electronics (Holdings) Limited, a company listed on the Main Board of the Singapore Exchange Limited and the Main Board of the Stock Exchange in June 2013. Mr. Phaisalakani is an independent non-executive director of Eagle Ride Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange. He resigned from his position as a senior consultant of Walker Group Holdings Limited, a company listed on the Main Board of the Stock Exchange, in September 2015. Mr. Phaisalakani joined the Group in 1996.

Mr. Kwok Sze Chi, aged 61, is an independent non-executive Director. Mr. Kwok currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers Limited and a vice chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators Limited. Having served the securities industry for over 30 years, Mr. Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr. Kwok has been invited to appear on television and radio programmes to explain market trends and analyze stock market developments. He also provides professional investment analyses in newspapers and investment websites. Mr. Kwok is an executive director of Bright Smart Securities & Commodities Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Kwok joined the Group in 2006.

SENIOR MANAGEMENT

Mr. Lee Chung Shing, aged 49, 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 27 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 61, 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 62, 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 43, 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 2016.

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 41 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45. The Directors recommend the payment of a final dividend of HK1.0 cent per Share, in cash with a scrip dividend option to the Shareholders whose names appear on the register of members of the Company on 2 September 2016, amounting to approximately HK$27,722,000. Details of the dividends for the year are set out in Note 13 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for the year ended 31 March 2016, the register of members of the Company will be closed from 1 September 2016 to 2 September 2016 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the final dividend for the year ended 31 March 2016, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 31 August 2016.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$788,220,000 for the expansion of its business. Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2016, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$1,254,293,000.

SHARE CAPITAL

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

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. Lee Yuen Chiu, Andy, Mr. Choi Lin Hung and Mr. Kwok Sze Chi will retire as Directors by rotation at the forthcoming 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 CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" in this report and Note 40 to the consolidated financial statements, no contracts of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors or their respective 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 2016 and up to the date of this report, the Company has in force permitted indemnity provisions for the benefit of the Directors.

CONNECTED TRANSACTIONS

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

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

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

(ii) on normal commercial terms or better;

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

(iv) within their respective annual cap amounts.

In addition to the connected transactions as set out in Note 40 to the consolidated financial statements, certain subsidiaries of the Group had transactions with subsidiaries of Ford Glory Holdings Limited ("FG Holdings"), which is in turn indirectly owned as to 51% by the Company and 49% by Merlotte Enterprise Limited ("Merlotte"), a company wholly-owned by Mr. Choi Lin Hung, an executive Director. These transactions are also disclosed as connected transactions in accordance with the requirements of the Listing Rules as follows:

	2016 **HK$'000**	2015 HK$'000
Sale of fabric	**44,296**	55,450
Sale of dyed yarn	**871**	6,058
Supply of steam and electricity	**1,895**	2,835

Provision of guarantees

On 15 September 2015, the Company provided a guarantee (the "IBT-Guarantee") in favour of Industrial Bank of Taiwan Co., Ltd. ("IBT") of not exceeding the aggregate amount equivalent to HK$71,200,000 and a further sum for all accrued interest, cost, charges and expenses incurred by IBT to secure trade and treasury facilities of up to HK$71,200,000 offered by IBT to FG International, a wholly-owned subsidiary of FG Holdings.

On 15 September 2015, the Company provided a guarantee (together with the IBT-Guarantee, the "Guarantees") in favour of Bank of America, N.A. ("BA") limited to US$12,000,000 (equivalent to approximately HK$93,600,000) and further interest, charges and expenses incurred by BA to secure trade facilities of up to US$7,000,000 (equivalent to approximately HK$54,600,000) offered by BA to FG International.

Given that the financial assistance provided by the Company in the form of the Guarantees to FG International exceeded the proportional equity interest of the Company in FG International, the provision of the Guarantees in aggregate constituted non-exempt connected transactions for the Company and was subject to the announcement, independent Shareholders' approval and annual reporting requirements under Chapter 14A of the Listing Rules. The provision of the Guarantees was approved by the independent Shareholders at the special general meeting of the Company on 15 September 2015.

Continuing connected transactions to be commenced

On 10 March 2016, Victory City Holdings Limited (a direct wholly-owned subsidiary of the Company, "VC Holdings") (on its own behalf and as trustee for the benefit of other members of VC Holdings and its subsidiaries from time to time ("VC Group")) and FG Holdings (on its own behalf and as trustee for the benefit of other members of FG Holdings and its subsidiaries from time to time ("FG Group")) entered into a master agreement (the "Fabric Master Agreement") in relation to the sale of fabric products by the VC Group to the FG Group for a term commencing from 1 April 2016 to 31 March 2019 (both days inclusive). Pursuant to the Fabric Master Agreement, the purchase price of the products concerned shall be determined by the parties from time to time by reference to, among other factors, the then prevailing market prices of the raw materials and accessories required for the manufacture of the products concerned, as well as, where applicable, prevailing market prices of similar products.

On 10 March 2016, VC Holdings (on its own behalf and as trustee for the benefit of other members of the VC Group) and FG Holdings (on its own behalf and as trustee for the benefit of other members of the FG Group) entered into a master agreement (the "Yarn Master Agreement") in relation to the sale of yarn products by the VC Group to the FG Group for a term commencing from 1 April 2016 to 31 March 2019 (both days inclusive). Pursuant to the Yarn Master Agreement, the purchase price of the products concerned shall be determined by the parties from time to time by reference to, among other factors, the then prevailing market prices of the raw materials and accessories required for the manufacture of the products concerned, as well as, where applicable, prevailing market prices of similar products.

As FG Holdings is indirectly owned as to 51% by the Company and 49% by Merlotte, which is in turn wholly-owned by Mr. Choi Lin Hung, FG Holdings is a connected person of the Company within the meaning of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Fabric Master Agreement and Yarn Master Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the proposed annual caps for the transactions contemplated under the Fabric Master Agreement and the Yarn Master Agreement in aggregate for each of the three financial years ending 31 March 2019 will be more than HK$3 million and each of the applicable ratios is more than 0.1% but less than 5%, such continuing connected transactions are subject to the annual reporting and announcement requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors independent.

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

As at 31 March 2016, 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	428,488,000 Shares (L) (Note 2)	–	18.86% (Note 27)
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.05%
	Victory City Company Limited (Note 23)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited ("VC Overseas") (Note 23)	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	428,488,000 Shares (L) (Note 3)	–	18.86% (Note 27)
	The Company	Beneficial owner	2,250,000 Shares (L)	–	0.10%
	The Company	Beneficial owner	–	1,200,000 Shares (L) (Note 4)	0.05%
	Victory City Company Limited (Note 23)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	VC Overseas (Note 23)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%

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	8,500,000 Shares (L)	–	0.37%
	The Company	Beneficial owner	–	12,000,000 Shares (L) (Note 5)	0.53%
	VC Overseas (Note 23)	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.2%
	Sure Strategy Limited ("Sure Strategy") (Note 23)	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (Note 6)	–	49%
	FG Holdings (Note 23)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 7)	–	100%
	Brilliant Fashion Inc. (Note 23)	Interest of controlled corporation	100 common shares of no par value (L) (Note 12)	–	100%
	FG International (Note 23)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (Note 13)	–	100%
	Glory Time Limited (Note 23)	Interest of controlled corporation	70 ordinary shares of HK$1.00 each (L) (Note 14)	–	70%
	Mayer Apparel Limited (Note 23)	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) (Note 11)	–	51%
	PT. Victory Apparel Semarang (Note 23)	Interest of controlled corporation	300,000 ordinary shares of US$1.00 each (L) (Note 10)	–	100%
	Surefaith Limited (Note 23)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 13)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 23)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 15)	–	100%
	Victory Apparel (Jordan) Manufacturing Company Limited (Note 23)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 9)	–	100%
	Wealth Choice Limited (Note 23)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 13)	–	100%
	福之源貿易（上海）有限公司 (Note 23)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 8)	–	100%
	Gojifashion Inc. (Note 24)	Interest of controlled corporation	100 common shares of no par value (L) (Note 12)	–	50%
	Happy Noble Holdings Limited (Note 23)	Interest of controlled corporation	70 ordinary shares of US$1.00 each (L) (Note 13)	–	70%
	Sky Winner Investment Limited (Note 23)	Interest of controlled corporation	100 ordinary shares of HK$1.00 each (L) (Note 16)	–	100%
	福源創業信息咨詢服務（深圳）有限公司 (Note 23)	Interest of controlled corporation	Registered capital of HK$3,000,000 (L) (Note 8)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	Rocwide Limited (Note 23)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 13)	–	100%
	Jiangmen V-Apparel Manufacturing Ltd. (Note 23)	Interest of controlled corporation	Registered capital of HK$31,260,000 (L) (Note 17)	–	100%
	One Sino Limited (Note 23)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 13)	–	100%
	Ford Glory (Cambodia) Manufacturing Limited (Note 23)	Interest of controlled corporation	Registered capital of US$1,000,000 (L) (Note 18)	–	100%
	藝田貿易（上海）有限公司 (Note 23)	Interest of controlled corporation	Registered capital of HK$5,000,000 (L) (Note 19)	–	100%
	Global Trend Investments Limited (Note 23)	Interest of controlled corporation	1,100,000 ordinary shares of US$1.00 each (L) (Note 9)	–	100%
	Jerash Garments & Fashions Manufacturing Company Ltd. (Note 23)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 20)	–	100%
	Talent Partner Holdings Limited (Note 23)	Interest of controlled corporation	51 ordinary shares of US$1.00 each (L) (Note 21)	–	51%
	Green Expert Global Limited (Note 23)	Interest of controlled corporation	1 ordinary share of US$1.00 each (L) (Note 22)	–	100%
	Major Time Limited (Note 23)	Interest of controlled corporation	1 ordinary share of HK$1.00 each (L) (Note 22)	–	100%
	Just Perfect Holdings Limited (Note 23)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 13)	–	100%
	Chinese Garments and Fashions Manufacturing Company Limited (Note 23)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 25)	–	100%
	Jerash for Industrial Embroidery Company Limited (Note 23)	Interest of controlled corporation	50,000 ordinary shares of JD1.00 each (L) (Note 25)	–	100%
	RS International Holdings Limited (Note 23)	Interest of controlled corporation	1 ordinary share of HK$0.01 each (Note 7)	–	100%
	Perfect Tribute Limited (Note 23)	Interest of controlled corporation	1 ordinary share of US$1.00 each (Note 26)	–	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	5,000,000 Shares (L) (Note 5)	0.22%
Phaisalakani Vichai	The Company	Beneficial owner	800,000 Shares (L)	–	0.04%

Notes:

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

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

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

4. On 2 April 2012, each of Mr. Li Ming Hung and Mr. Chen Tien Tui was granted 1,200,000 options under the share option scheme of the Company to subscribe for 1,200,000 Shares, exercisable at a price of HK$0.782 per Share during a period from 2 April 2012 to 1 April 2017.

5. On 2 April 2012, each of Mr. Choi Lin Hung and Mr. Lee Yuen Chiu, Andy was granted 12,000,000 and 5,000,000 options respectively under the share option scheme of the Company to subscribe for 12,000,000 Shares and 5,000,000 Shares respectively, exercisable at a price of HK$0.782 per Share during a period from 2 April 2012 to 1 April 2017.

6. These shares were held by Merlotte. 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, a wholly-owned subsidiary of the Company.

7. These ordinary shares were held by Sure Strategy.

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

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

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

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

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

13. These shares were beneficially owned by FG Holdings.

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

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

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

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

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

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

20. These shares were held by Global Trend Investments Limited.

21. Talent Partner Holdings Limited is 51% owned by FG Holdings.

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

23. These companies are subsidiaries of the Company.

24. 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.

25. These shares were held by Jerash Garments & Fashions Manufacturing Company Ltd..

26. This ordinary share was held by RS International Holdings Limited.

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

Save as disclosed above in this report, as at 31 March 2016, 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 2016, 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	428,488,000 (L)	Beneficial owner (Note 2)	18.86%
Cornice	428,488,000 (L)	Interest of controlled corporation (Note 2)	18.86%
Madian Star	428,488,000 (L)	Beneficial owner (Note 3)	18.86%
Yonice	428,488,000 (L)	Interest of controlled corporation (Note 3)	18.86%
Fiducia Suisse SA	856,976,000 (L)	Trustee (Notes 2 & 3)	37.72%
David Henry Christopher Hill	856,976,000 (L)	Interest of controlled corporation (Note 6)	37.72%
Rebecca Ann Hill	856,976,000 (L)	Interest of spouse (Note 7)	37.72%
Ho Yuen Mui, Shirley	429,688,000 (L)	Interest of spouse (Note 4)	18.91%
Or Kwai Ying	431,938,000 (L)	Interest of spouse (Note 5)	19.01%
Templeton Asset Management Limited	270,565,024 (L)	Investment manager	11.92%
Franklin Templeton Investment Management Limited	135,663,201 (L)	Investment manager	5.98%

Notes:

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

Save as disclosed above, so far as is known to the Directors, as at 31 March 2016, 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 34 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

On 25 September 2015, 6 November 2015 and 15 February 2016, the Company completed three top-up placings and subscriptions of shares, the details of which are as follows:

Date(s) of announcement(s)	Event	Net proceeds and net price (approximate)	Intended use of proceeds as announced	Actual use of proceeds
14 September 2015, 15 September 2015 and 25 September 2015	Top-up placing and subscription of 186,460,000 Shares (with an aggregate nominal value of HK$1,864,600) at the price of HK$1.0 per Share	HK$184 million and HK$0.99 per Share	Approximately 60% of the net proceeds for the expansion of the Group's fabric manufacturing business and the remaining approximately 40% as general working capital of the Group	Approximately HK$110.4 million had been used for the expansion of the Group's fabric manufacturing business; and approximately HK$73.6 million as general working capital of the Group, which had been used for procurement of raw materials, mainly for the textile business of the Group.
23 October 2015 and 6 November 2015	Top-up placing and subscription of 100,000,000 Shares (with an aggregate nominal value of HK$1,000,000) at the price of HK$1.0 per Share	HK$98.5 million and HK$0.985 per Share	Approximately 70% of the net proceeds for the expansion of the Group's synthetic fabric production as well as the operation of its fabric printing facilities and the remaining approximately 30% as general working capital of the Group	Approximately HK$69.0 million had been used for the expansion of the Group's synthetic fabric production and the operation of the Group's fabric printing facilities; and approximately HK$29.5 million as general working of the Group, which had been used for procurement of raw materials, mainly for the textile business of the Group.
1 February 2016, 2 February 2016 and 15 February 2016	Top-up placing and subscription of 86,000,000 Shares (with an aggregate nominal value of HK$860,000) at the price of HK$0.65 per Share	HK$55.1 million and HK$0.64 per Share	For improvement of the Group's environmental protection facilities in the production plants in Xinhui, the PRC	Approximately HK$55.1 million had been used for upgrading the wastewater treatment system in the production plants in Xinhui, the PRC.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, in respect of each of the top-up placings and subscriptions above, the Shares had been placed to not less than six placees (being professional, institutional or other private investors).

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Note 34 to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

Save as disclosed in Note 34 to the consolidated financial statements in respect of the Company's share option scheme, there is no contract of significance subsisting as at 31 March 2016 in which a Director is or was materially interested, either directly or indirectly.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2016.

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 continue 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 annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Li Ming Hung
Chairman

Hong Kong
28 June 2016

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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2016.

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 14 to 15 of this annual report.

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

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

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

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

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the Directors has full access to relevant information at the meetings. The Board had four regular Board meetings during the year ended 31 March 2016 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 2017;

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

(d) reviewed the continuing connected transactions; and

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

Corporate governance functions

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

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

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

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

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

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

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

Chairman and Chief Executive

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

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

Terms of Appointment of Independent Non-executive Directors

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

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

Each of the three independent non-executive Directors has made an annual confirmation of independence to the Company. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent and that they all meet the specific independence guideline as set out in Rule 3.13 of the Listing Rules.

BOARD COMMITTEES

The Board has established three board committees including the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") (collectively, the "Board Committees") of the Company. Each of these Board Committees has specific written terms of reference have been published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.victorycity.com.hk). Attendance records of each Board Committees with individual member's attendance are set out in the paragraph headed "Number of Meetings and Director's Attendance" below. The Board has delegated some of its functions to the Board Committees, the details of which are 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 2016 to make recommendations on the re-election of Mr. Li Ming Hung, Mr. Kan Ka Hon and Mr. Phaisalakani Vichai as Directors proposed for Shareholders' approval in the last AGM held on 28 August 2015.

Board Diversity Policy

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

Remuneration Committee

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

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

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

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

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

No Director takes part in any discussions and decisions about his own remuneration. During the year ended 31 March 2016, the Remuneration Committee has convened one meeting to review the salary of the employees of the Company and its subsidiaries and the executive Directors.

Audit Committee

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

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

During the year ended 31 March 2016, 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; and

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

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

On 31 March 2016, the Board resolved to revise the terms of reference of the Audit Committee to comply with the code provisions C.2 and C.3 set out in the revised CG Code.

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 2016 and the Special General Meeting held on 15 September 2015 ("SGM") are set out below:

	Number of meetings attended/held during the year ended 31 March 2016					
	BM	**ACM**	**RCM**	**NCM**	**AGM**	**SGM**
Executive Directors						
Mr. Li Ming Hung *(Chairman)*	4/4	—	1/1	1/1	1/1	1/1
Mr. Chen Tien Tui *(Chief Executive Officer)*	4/4	—	1/1	—	1/1	1/1
Mr. Lee Yuen Chiu, Andy	4/4	—	—	—	1/1	1/1
Mr. Choi Lin Hung	4/4	—	—	—	1/1	1/1
Independent Non-executive Directors						
Mr. Kan Ka Hon	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Phaisalakani Vichai	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Kwok Sze Chi	4/4	2/2	1/1	—	1/1	1/1

INTERNAL CONTROL

The Board is responsible for maintaining the internal control systems of the Group and for reviewing its effectiveness. The Audit Committee shall review on the effectiveness of the Group's internal control systems and report to the Board on such reviews. Management will continue to follow up with actions agreed upon in response to the recommendations. During the year ended 31 March 2016, the Board conducted an annual review of the Group's internal control systems, including financial, operational and compliance controls and risk management functions.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by 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	√

AUDITOR'S REMUNERATION

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

Audit services of approximately HK$3,280,000 for the Group;

Non-audit services of approximately HK$881,000 including:

— review of interim results;

— taxation services for the Group;

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

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2016, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHAREHOLDERS' RIGHTS

Convening a special general meeting on requisition

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

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

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

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

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

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

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

Procedures for raising enquiries

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

Tricor Secretaries Limited

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

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

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

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

Procedures for putting forward proposals at general meeting

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

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

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

   (b) not less than one hundred Shareholders.

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

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

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

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

INVESTOR RELATIONS

There was no change in the Company's constitutional documents during the year ended 31 March 2016.

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)

We have audited the consolidated financial statements of Victory City International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 120, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	7	**4,911,216**	5,137,415
Cost of sales		**(4,038,277)**	(4,180,872)
Gross profit		**872,939**	956,543
Other income		**122,554**	50,527
Other gains and losses	9	**(38,658)**	(37,011)
Distribution and selling expenses		**(101,198)**	(110,163)
General and administrative expenses		**(432,840)**	(418,199)
Finance costs	10	**(140,397)**	(124,599)
Gain on disposal of subsidiaries	33(b)	**—**	227,674
Profit before taxation		**282,400**	544,772
Income tax expense	11	**(32,880)**	(28,372)
Profit for the year	12	**249,520**	516,400
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(311,851)**	(851)
Fair value change of an available-for-sale investment		**(48)**	219
Reclassification of translation reserve upon disposal of subsidiaries		**—**	3
		(311,899)	(629)
Item that will not be subsequently reclassified to profit or loss:			
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		**6,320**	14,541
Other comprehensive (expense) income for the year		**(305,579)**	13,912
Total comprehensive (expense) income for the year		**(56,059)**	530,312
Profit for the year attributable to:			
Owners of the Company		**241,811**	400,459
Non-controlling interests		**7,709**	115,941
		249,520	516,400
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(65,405)**	407,253
Non-controlling interests		**9,346**	123,059
		(56,059)	530,312
Earnings per share	14		
Basic		**HK11.9 cents**	HK22.6 cents
Diluted		**HK11.8 cents**	HK22.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**3,530,629**	3,225,266
Prepaid lease payments	16	**193,322**	201,116
Investment properties	17	**164,657**	54,800
Goodwill	18	**6,614**	6,614
Intangible asset	19	**—**	—
Interest in a joint venture	20	**—**	—
Restricted bank deposit	21	**60,324**	94,396
Deferred tax assets	35	**2,433**	2,524
Deposit paid for acquisition of property, plant and equipment		**30,894**	18,828
Other assets		**26,040**	26,040
		4,014,913	3,629,584
Current assets			
Inventories	22	**2,767,820**	2,603,275
Trade and bills receivables	23	**1,720,070**	1,610,126
Deposits, prepayments and other receivables	25	**178,197**	213,701
Prepaid lease payments	16	**4,815**	4,891
Derivative financial instruments	26	**—**	643
Available-for-sale investment	27	**1,694**	1,754
Taxation recoverable		**526**	1,690
Bank balances and cash	28	**2,111,088**	2,003,390
		6,784,210	6,439,470
Current liabilities			
Trade and bills payables	29	**397,117**	358,248
Other payables and accruals	30	**134,597**	110,653
Dividend payable		**197**	202
Taxation payable		**72,794**	78,869
Derivative financial instruments	26	**126,782**	98,266
Bank borrowings — amount due within one year	31	**1,849,123**	2,247,489
		2,580,610	2,893,727
Net current assets		**4,203,600**	3,545,743
Total assets less current liabilities		**8,218,513**	7,175,327

Consolidated Statement of Financial Position

At 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	32	**22,722**	18,625
Reserves		**5,437,842**	5,350,774
Equity attributable to owners of the Company		**5,460,564**	5,369,399
Non-controlling interests		**154,034**	144,688
Total equity		**5,614,598**	5,514,087
Non-current liabilities			
Bank borrowings — amount due after one year	31	**2,516,491**	1,576,460
Deferred tax liabilities	35	**87,424**	84,780
		2,603,915	1,661,240
		8,218,513	7,175,327

The financial statements on pages 45 to 120 were approved and authorised for issue by the Board on 28 June 2016 and are signed on its behalf by:

Li Ming Hung
Director

Chen Tien Tui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company												Attributable to non-controlling interests			
	Share capital HK$'000 (Note 32)	Share premium HK$'000	Special reserve HK$'000 (note i)	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note ii)	Translation reserve HK$'000	Dividend reserve HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Share option reserve of a subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2014	17,487	1,765,473	(5,530)	39	76,229	648,590	–	25,152	443	–	2,446,510	4,974,393	27,732	230,809	258,541	5,232,934
Profit for the year	–	–	–	–	–	–	–	–	–	–	400,459	400,459	–	115,941	115,941	516,400
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(844)	–	–	–	–	–	(844)	–	(7)	(7)	(851)
Gain on fair value change of available-for-sale investment	–	–	–	–	–	–	–	–	219	–	–	219	–	–	–	219
Reclassification of translation reserve upon disposal of subsidiaries	–	–	–	–	–	3	–	–	–	–	–	3	–	–	–	3
Fair value adjustment of investment property reclassified from property, plant and equipment (Note 17)	–	–	–	–	–	–	–	–	–	7,416	–	7,416	–	7,125	7,125	14,541
Total comprehensive income for the year	–	–	–	–	–	(841)	–	–	219	7,416	400,459	407,253	–	123,059	123,059	530,312
2014 Final dividend declared (Note 13)	–	–	–	–	–	–	69,947	–	–	–	(69,947)	–	–	–	–	–
2015 Interim dividend declared (Note 13)	–	–	–	–	–	–	90,166	–	–	–	(90,166)	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2014 final dividend	544	54,589	–	–	–	–	(55,133)	–	–	–	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2015 interim dividend	592	62,097	–	–	–	–	(62,689)	–	–	–	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(42,291)	–	–	–	–	(42,291)	–	–	–	(42,291)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(239,429)	(239,429)	(239,429)
Issue of shares upon exercise of share options	2	201	–	–	–	–	–	(47)	–	–	–	156	–	–	–	156
Lapse of share options	–	–	–	–	–	–	–	(12)	–	–	12	–	–	–	–	–
Exercise of share options of a subsidiary	–	–	–	–	–	–	–	–	–	–	27,732	27,732	(27,732)	50,850	23,118	50,850
Dilution of interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,277)	(2,277)	–	2,277	2,277	–
Disposal of subsidiaries	–	–	7,491	–	–	–	–	–	–	–	(7,491)	–	–	(18,445)	(18,445)	(18,445)
Acquisition of additional interests in subsidiaries (Note 33a)	–	–	–	–	–	–	–	–	–	–	4,433	4,433	–	(4,433)	(4,433)	–
At 31 March 2015	18,625	1,882,360	1,961	39	76,229	647,749	–	25,093	662	7,416	2,709,265	5,369,399	–	144,688	144,688	5,514,087
Profit for the year	–	–	–	–	–	–	–	–	–	–	241,811	241,811	–	7,709	7,709	249,520
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(310,603)	–	–	–	–	–	(310,603)	–	(1,248)	(1,248)	(311,851)
Gain on fair value change of available-for-sale investment	–	–	–	–	–	–	–	–	(48)	–	–	(48)	–	–	–	(48)
Fair value adjustment of investment property reclassified from property, plant and equipment, net of related deferred taxation (Note 17)	–	–	–	–	–	–	–	–	–	3,435	–	3,435	–	2,885	2,885	6,320

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Attributable to owners of the Company												Attributable to non-controlling interests			
	Share capital HK$'000 (Note 32)	Share premium HK$'000	Special reserve HK$'000 (note i)	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note ii)	Translation reserve HK$'000	Dividend reserve HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Share option reserve of a subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
Total comprehensive income for the year	–	–	–	–	–	(310,603)	–	–	(48)	3,435	241,811	(65,405)	–	9,346	9,346	(56,059)
2015 Final dividend declared (Note 13)	–	–	–	–	–	–	55,938	–	–	–	(55,938)	–	–	–	–	–
2015 Special dividend declared (Note 13)	–	–	–	–	–	–	74,585	–	–	–	(74,585)	–	–	–	–	–
2016 Interim dividend declared (Note 13)	–	–	–	–	–	–	87,348	–	–	–	(87,348)	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2015 final dividend	151	15,341	–	–	–	–	(15,492)	–	–	–	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2015 special dividend	170	17,272	–	–	–	–	(17,442)	–	–	–	–	–	–	–	–	–
Issue of shares under scrip dividend scheme for 2016 interim dividend	25	1,851	–	–	–	–	(1,876)	–	–	–	–	–	–	–	–	–
Dividends paid in cash	–	–	–	–	–	–	(183,061)	–	–	–	–	(183,061)	–	–	–	(183,061)
Issue of shares upon exercise of share options	26	2,570	–	–	–	–	–	(601)	–	–	–	1,995	–	–	–	1,995
Issue of shares upon subscription of shares, net of related transaction costs (Note 32)	3,725	333,911	–	–	–	–	–	–	–	–	–	337,636	–	–	–	337,636
At 31 March 2016	**22,722**	**2,253,305**	**1,961**	**39**	**76,229**	**337,146**	**–**	**24,492**	**614**	**10,851**	**2,733,205**	**5,460,564**	**–**	**154,034**	**154,034**	**5,614,598**

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.

HK$7,491,000 of the special reserve represents the difference between the net proceeds from the issue of new shares by Highlight China, a former subsidiary of the Company, as part of its scheme to list its shares on the Stock Exchange and the adjustment to the non-controlling interests. During the year ended 31 March 2015, this amount was released upon the Group's disposal of its entire equity interest in Highlight China.

(ii) The capital reserve of the Group represents the difference between the nominal value of shares issued by the Company and the aggregate nominal value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which became effective on 22 April 1996, and as reduced by the amount arising from a capital reduction in January 2001.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**282,400**	544,772
Adjustments for:			
Depreciation of property, plant and equipment		**264,704**	257,025
Interest on bank borrowings		**140,397**	124,599
Net loss on fair value change of derivative financial instruments		**26,212**	28,106
Release of prepaid lease payments		**4,844**	4,891
Impairment loss on trade receivables		**2,167**	—
Loss (gain) on fair value change of a restricted bank deposit		**834**	(2,602)
Write-down of inventories		**18**	910
Interest income		**(50,575)**	(25,967)
Gain on fair value change of investment properties		**(700)**	(400)
Gain on disposal of property, plant and equipment		**(85)**	(2,758)
Impairment loss on property, plant and equipment		**—**	1,021
Impairment loss on intangible asset		**—**	1,000
Gain on disposal of subsidiaries	33(b)	**—**	(227,674)
Operating cash flows before working capital changes		**670,216**	702,923
(Increase) decrease in inventories		**(259,285)**	66,863
Increase in trade and bills receivables		**(159,018)**	(1,298)
Decrease in deposits, prepayments and other receivables		**29,106**	21,445
Proceeds from and settlement of derivative financial instruments		**2,947**	39,243
Increase (decrease) in trade and bills payables		**42,466**	(133,879)
Increase (decrease) in other payables and accruals		**26,495**	(22,162)
Cash generated from operations		**352,927**	673,135
Interest received		**50,575**	25,967
Interest paid on bank borrowings		**(140,397)**	(128,099)
The PRC Enterprise Income Tax ("EIT") paid		**(18,906)**	(15,358)
Hong Kong Profits Tax paid		**(12,740)**	(11,027)
Overseas tax paid		**(125)**	(175)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**231,334**	544,443

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(771,053)**	(350,182)
Placement of restricted bank deposits		**(61,922)**	—
Deposit paid for acquisition of property, plant and equipment		**(29,233)**	(18,828)
Withdrawal of restricted bank deposits		**94,550**	—
Proceeds from disposal of property, plant and equipment		**1,575**	6,089
Net cash inflow from disposal of subsidiaries	33(b)	**—**	216,526
Net cash outflow on acquisition of subsidiaries	33(c)	**—**	(1,096)
NET CASH USED IN INVESTING ACTIVITIES		**(766,083)**	(147,491)
FINANCING ACTIVITIES			
New bank loans raised		**3,176,360**	923,969
Net proceeds from subscription of shares		**337,636**	—
Net amount of import loans and trust receipts loans raised		**166,974**	305,526
Proceed from issue of shares through exercise of share options of the Company		**1,995**	156
Repayment of bank loans		**(2,527,442)**	(586,293)
Net repayment of bank borrowings from discounted bills and debts factored with recourse		**(266,660)**	(104,434)
Dividend paid to the Company's shareholders		**(183,061)**	(42,291)
Repayment of mortgage loans		**(2,143)**	(2,107)
Proceed from issue of shares through exercise of share options of a subsidiary		**—**	50,850
Dividend paid to non-controlling shareholders		**—**	(239,429)
NET CASH FROM FINANCING ACTIVITIES		**703,659**	305,947
NET INCREASE IN CASH AND CASH EQUIVALENTS		**168,910**	702,899
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,003,390**	1,300,491
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(61,212)**	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**2,111,088**	2,003,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL

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

The consolidated financial statements are presented in Hong Kong dollar, 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts With Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]

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

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

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.
[4] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

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

HKFRS 9 "Financial Instruments" *(continued)*

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the Group's financial assets and financial liabilities based on the analysis of the Group's financial assets and liabilities as at 31 March 2016. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

Except as described above, the Directors anticipate that the application of the other new and revised HKFRSs in issue but not yet effective will not have material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

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

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.

A CGU 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 to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investment in a joint venture

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a joint venture *(continued)*

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

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

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

Revenue recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and buildings

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

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

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

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

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

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

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

Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible asset

Intangible asset acquired separately

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

Derecognition of intangible assets

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 in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill

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

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

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

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

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

Government grants

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

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

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

Retirement benefit costs

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

Share-based payment transactions

Equity-settled share-based payment transactions

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. Details regarding the determination of the fair value of equity-settled share based transactions are set out in Note 34.

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Equity-settled share-based payment transactions (continued)

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. At the end of each reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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.

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

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

AFS financial assets

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

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

Impairment of financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

Financial liabilities and equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL (continued)

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

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

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

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The amount of impairment is measured at the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2016, the carrying amount of trade and bills receivables was HK$1,720,070,000 (2015: HK$1,610,126,000) (net of allowance for doubtful debts of HK$6,243,000 (2015: HK$4,125,000)).

Written-down of inventories

Management reviews the inventories listing at the end of each reporting period, and writes down obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise. At 31 March 2016, the carrying amount of inventories was HK$2,767,820,000 (2015: HK$2,603,275,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Income taxes

As at 31 March 2016, deferred tax asset in relation to unused tax losses of HK$158,751,000 (2015: HK$124,789,000) and other deductible temporary difference of HK$49,658,000 (2015: HK$48,672,000) in respect of accelerated accounting depreciation (see Note 35) were not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such recognition takes place.

Fair value of structured foreign currency forward contracts

As at 31 March 2016, the Group had outstanding structured foreign currency forward contracts which were stated at fair value. In the absence of quoted market price, the valuation of these contracts was carried out by independent professional valuer using valuation techniques which involve certain inputs and assumptions including spot and forward exchange rates, time to maturity and volatility, etc. Any changes in these inputs and assumptions could have an impact on the fair value of these contracts, details of which are set out in Note 26.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 31, net of cash and cash equivalents disclosed in Note 28, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,850,225**	3,629,960
FVTPL		
Restricted bank deposit	**60,324**	94,396
Derivative financial instruments	**—**	643
Available-for-sale investment	**1,694**	1,754
Financial liabilities		
Amortised cost	**4,791,708**	4,198,808
FVTPL		
Derivative financial instruments	**126,782**	98,266

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

	2016 HK$'000	2015 HK$'000
HK$	**25,227**	7,665
RMB	**79,207**	163,200

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.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2015: 5%) fluctuation of exchange rate of the functional currency of the relevant group entities against RMB. This sensitivity analysis includes only outstanding monetary items where the denomination of the amount is in a currency other than the functional currency of the relevant group entities at the end of the reporting period and adjusts their translation for a 5% exchange rate when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. If the functional currency of the relevant group entities weakens against the foreign currencies by 5%, the Group's post-tax profit for the year would increase by:

	2016 HK$'000	2015 HK$'000
Gain in relation to:		
RMB	3,307	6,814

As set out in Note 26, at the end of the reporting period, the Group had outstanding structured and non-structured foreign currency forward contracts which also expose the Group to currency fluctuation risks.

All structured foreign currency forward contracts are to hedge the rise of RMB against US$. Based on the terms of these contracts, if at 31 March 2016, (i) RMB had weakened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been reduced by HK$158,378,000 (2015: HK$342,651,000) and (ii) RMB had strengthened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year would have been increased by HK$99,272,000 (2015: HK$96,749,000). In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used involves multiple variables and certain variables which are interdependent.

No sensitivity analysis is presented for the restricted bank deposits as the impact of change in exchange rate on the fair value is insignificant. Details of the restricted bank deposits is set out in Note 21.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and balances and bank borrowings (see Notes 28 and 31 for details). The management monitors interest rate exposure and considers hedging significant interest rate exposure. The Group has entered into interest rate swaps (see Note 26) which, however, are not qualified for applying hedge accounting.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk (continued)

All bank borrowings (Note 31) 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, London Interbank Offered Rate ("LIBOR") and the People's Bank of China Prescribed Rate ("PBOC Prescribed Rate") arising from the Group's bank borrowings.

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease by HK$12,283,000 (2015: HK$10,259,000) or increase by HK$12,283,000 (2015: HK$10,259,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank balances, bank borrowings and interest rate swaps.

Credit risk

As at 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers. The credit risk is considered not significant as the counterparty has strong financial background.

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

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

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk

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

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

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

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

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

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2015 HK$'000
2015							
Non-derivative financial liabilities							
Trade, bills and other payables	—	149,430	171,246	54,183	—	374,859	374,859
Bank borrowings	2.39%	1,662,990	148,674	402,370	1,693,270	3,907,304	3,823,949
		1,812,420	319,920	456,553	1,693,270	4,282,163	4,198,808
Derivative — net settlement							
Structured foreign currency forward contracts	—	(2,704)	(3,900)	17,945	83,461	94,802	93,451
Interest rate swap	—	—	316	906	3,724	4,946	4,815
		(2,704)	(3,584)	18,851	87,185	99,748	98,266

Bank loans with a repayable on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2016 and 31 March 2015, the aggregate outstanding principal amounts of these bank loans amounted to HK$1,602,700,000 and HK$1,596,350,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be fully repaid in accordance with the scheduled repayment dates set out in the loan agreements, as follows.

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

	Weighted average effective interest rate	**Less than 1 month HK$'000**	**1 to 3 months HK$'000**	**3 months to 1 year HK$'000**	**Over 1 year HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31 March HK$'000**
2016							
Bank borrowings	**2.54%**	**682,223**	**556,134**	**275,262**	**101,933**	**1,615,522**	**1,602,700**
2015							
Bank borrowings	2.56%	629,071	827,716	91,114	58,553	1,606,454	1,596,350

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

6. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments

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

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

The Group's restricted bank deposit, derivative financial instruments and available-for-sale investment are measured at fair value at the end of each reporting period. The Group's available-for-sale investment of HK$1,694,000 at 31 March 2016 (2015: HK$1,754,000) is measured based on quoted price from a financial institution. The valuation technique uses observable and unobservable inputs. As the changes in any of those observable or unobservable inputs in the valuation would not lead to significant impact to the financial results of the Group, fair value hierarchy, key inputs used in the valuation technique and sensitivity of the fair value measurement to change in those inputs are not presented. The following table gives information about how the fair values of restricted bank deposit and derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/liabilities	Fair value as at 31 March 2016	Fair value as at 31 March 2015	Fair value hierarchy	Valuation technique and key inputs
Restricted bank deposit (note 1)	**Assets – HK$60,324,000**	Asset – HK$94,396,000	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement of the related structured foreign currency forward contract, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Structured foreign currency forward contracts classified as derivative financial instruments (note 2)	**Assets – Nil** **Liabilities – HK$122,150,000 (Both not designated for hedging)**	Assets – HK$643,000 Liabilities – HK$93,451,000 (Both not designated for hedging)	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Interest rate swap classified as derivative financial instrument (note 3)	**Liability – HK$4,632,000 (Not designated for hedging)**	Liability – HK$4,815,000 (Not designated for hedging)	Level 2	Discounted cash flow method The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate

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

note 2: The higher the average implied volatility of the exchange rate used, the lower the fair value. If the average implied volatility of the exchange rate is increased/decreased by 5% and held other variables constant, the Group's post-tax profit for the year would have been decreased/increased by HK$1,904,000/HK$1,960,000 (2015:HK$3,619,000/HK$3,612,000) respectively. If RMB weakened/strengthened against US$ by 5% and all variables were held constant, the Group's post-tax profit for the year would decrease by HK$158,378,000/increase by HK$99,272,000 (2015: decrease by HK$342,651,000/increase by HK$96,749,000) respectively. Due to the terms of the contracts, changes in the inputs adopted in the valuation model would lead to asymmetric changes in the fair values.

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

6. 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)*

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

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

Fair value hierarchy

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

	31 March 2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Restricted bank deposit	—	—	94,396	94,396
Derivative financial instruments	—	—	643	643
Available-for-sale investment				
Unlisted trust fund	1,754	—	—	1,754
Financial liabilities at FVTPL				
Derivative financial instruments	—	4,815	93,451	98,266

6. FINANCIAL INSTRUMENTS *(continued)*

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

Reconciliation of Level 3 fair value measurements of financial assets

	Restricted bank deposit HK$'000	Structured foreign currency forward contracts HK$'000	Total HK$'000
At 1 April 2014	91,794	(27,115)	64,679
Amount received during the year	—	(40,513)	(40,513)
Fair value gains (losses) (note):			
— realised	—	42,767	42,767
— unrealised	2,602	(67,947)	(65,345)
At 31 March 2015	94,396	(92,808)	1,588
Amount received during the year	—	(4,221)	(4,221)
Placement of restricted bank deposits	61,922	—	61,922
Withdrawal of restricted bank deposits	(94,550)	—	(94,550)
Fair value gains (losses) (note):			
— realised	765	66,053	66,818
— unrealised	(1,599)	(91,174)	(92,773)
Exchange difference	(610)	—	(610)
At 31 March 2016	**60,324**	**(122,150)**	**(61,826)**

note: The amount is included in net gain on fair value change of derivative financial instruments and restricted bank deposits of "other gains and losses" in Note 9.

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 Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group, to perform the valuations of the restricted bank deposit, structured foreign currency forward contracts and interest rate swap required for financial reporting purposes, including Level 2 and 3 fair value measurements of financial instruments. As a part of the valuation process, the Financial Controller reports the findings to the board of directors of the Company 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.

7. REVENUE

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

	2016 HK$'000	2015 HK$'000
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	**4,100,317**	4,211,183
Production and sale of garment products and provision of quality inspection services	**810,899**	917,704
Production and sale of resin	**—**	8,528
	4,911,216	5,137,415

8. SEGMENT INFORMATION

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

Details of the Group's three operating and reportable segments are as follows:

(i)	Knitted fabric and dyed yarn	—	Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services
(ii)	Garment products	—	Production and sale of garment products and provision of quality inspection services
(iii)	Resin manufacturing	—	Production and sale of resin

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

Year ended 31 March 2016

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

note: During the year ended 31 March 2016, the Group ceased the production and sale of resin operation under the resin manufacturing segment. The relevant assets under this segment were leased to an independent third party for rental income.

8. SEGMENT INFORMATION *(continued)*

Year ended 31 March 2015

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Resin manufacturing HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE						
External sales	4,211,183	917,704	8,528	5,137,415	—	5,137,415
Inter-segment sales	61,508	—	—	61,508	(61,508)	—
Total	4,272,691	917,704	8,528	5,198,923	(61,508)	5,137,415
RESULTS						
Segment operating results	437,469	27,112	(9,495)	455,086	—	455,086
Gain on disposal of subsidiaries	—	227,674	—	227,674	—	227,674
Segment results	437,469	254,786	(9,495)	682,760	—	682,760
Unallocated corporate income						25,967
Other gains and losses						(25,104)
Unallocated corporate expenses						(14,252)
Finance costs						(124,599)
Profit before taxation						544,772

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, gain on fair value change of an investment property, net loss/gain on fair value change of derivative financial instruments and restricted bank deposit, gain on disposal of subsidiaries, 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.

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

At 31 March 2016

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

At 31 March 2015

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Resin manufacturing HK$'000	Consolidated total HK$'000
ASSETS				
Segment assets	7,134,653	631,120	294,236	8,060,009
Unallocated assets				2,009,045
Consolidated total assets				10,069,054
LIABILITIES				
Segment liabilities	384,649	80,866	68	465,583
Unallocated liabilities				4,089,384
Consolidated total liabilities				4,554,967

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, financial instruments, taxation recoverable, deferred tax assets, corporate assets and assets of non-core businesses; and

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

8. SEGMENT INFORMATION *(continued)*

Other segment information

At 31 March 2016

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

At 31 March 2015

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Resin manufacturing HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (note)	309,978	24,265	34,841	369,084
Depreciation of property, plant and equipment	230,807	20,963	5,255	257,025
(Gain) loss on disposal of property, plant and equipment	(3,166)	408	—	(2,758)
Release of prepaid lease payments	4,248	99	544	4,891
Impairment loss on property, plant and equipment	—	1,021	—	1,021
Impairment loss on intangible asset	—	1,000	—	1,000
Write-down of inventories	—	910	—	910

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

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

8. SEGMENT INFORMATION *(continued)*

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**588,023**	721,771	**89,408**	87,985
PRC	**2,299,406**	2,139,906	**3,773,950**	3,363,105
US	**657,870**	689,467	**—**	—
Bangladesh	**452,490**	487,961	**—**	—
Korea	**419,459**	465,618	**—**	—
Taiwan	**232,043**	255,861	**—**	—
Singapore	**85,299**	94,901	**—**	—
Germany	**70,769**	119,595	**—**	—
Others	**105,857**	162,335	**62,758**	55,534
	4,911,216	5,137,415	**3,926,116**	3,506,624

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 2016 and 2015.

Information about products and services

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

9. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	HK$'000
Net loss on fair value change of derivative financial instruments	**(26,212)**	(28,106)
Net foreign exchange losses	**(10,230)**	(12,644)
Impairment loss on trade receivables	**(2,167)**	—
(Loss) gain on fair value change of a restricted bank deposit	**(834)**	2,602
Gain on fair value change of investment properties	**700**	400
Gain on disposal of property, plant and equipment	**85**	2,758
Impairment loss on property, plant and equipment	**—**	(1,021)
Impairment loss on intangible asset	**—**	(1,000)
	(38,658)	(37,011)

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank borrowings	**140,397**	128,099
Less: Amounts capitalised in construction in progress	**—**	(3,500)
	140,397	124,599

11. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
The tax charge comprises:		
Current tax:		
Current year		
— Hong Kong Profits Tax	**9,155**	12,465
— PRC EIT	**21,889**	15,604
— Overseas income tax	**125**	1,059
— PRC capital gain tax	**—**	3,732
	31,169	32,860
Overprovision in respect of prior years	**(2,152)**	(4,511)
	29,017	28,349
Deferred taxation (Note 35)		
Current year	**3,863**	23
	32,880	28,372

Hong Kong

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

PRC

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

Capital gain tax is calculated at a rate of 10% (as stipulated in the PRC tax rules and regulations) on the difference between the consideration from the transfer of equity interests in certain subsidiaries of the Company established in the PRC (Note 33(a)) and the cost of equity rights in the PRC subsidiaries at the date of completion of the Acquisition (as defined in Note 33).

Macau

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

11. 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:

	2016 **HK$'000**	2015 HK$'000
Profit before taxation	**282,400**	544,772
Tax at the domestic income tax rate of 16.5%	**46,596**	89,887
Tax effect of expenses that are not deductible for tax purpose	**20,447**	25,188
Tax effect of income not taxable for tax purpose	**(6,889)**	(29,921)
Tax effect of utilisation of tax losses previously not recognised	**(2,957)**	(15)
Tax effect of tax losses not recognised	**9,660**	8,838
Effect of tax exemptions granted to overseas subsidiaries	**(45,475)**	(60,403)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6,485**	(4,463)
Overprovision in respect of prior years	**(2,152)**	(4,511)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	**7,165**	3,772
Income tax expense for the year	**32,880**	28,372

Details of deferred taxation are set out in Note 35.

12. PROFIT FOR THE YEAR

	2016 **HK$'000**	2015 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	**21,848**	21,847
Other staff costs	**593,653**	524,778
Total staff costs	**615,501**	546,625
Auditor's remuneration	**3,780**	3,768
Depreciation of property, plant and equipment	**264,704**	257,025
Release of prepaid lease payments	**4,844**	4,891
Write-down of inventories (included in cost of sales)	**18**	910
and after crediting:		
Bank interest income	**50,575**	25,967
Government grants	**4,758**	2,071
Rental income from investment properties, and plant and machinery (net of negligible outgoings)	**25,366**	1,572

12. PROFIT FOR THE YEAR *(continued)*

Included in the other staff costs is an aggregate amount of approximately HK$47,689,000 (2015: HK$43,109,000) in respect of contributions to retirement benefits schemes made by the Group (note ii).

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

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 (2015: seven) Directors and the chief executive were as follows:

	Executive Directors				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
2016								
Fees	**—**	**—**	**—**	**1,170**	**240**	**240**	**240**	**1,890**
Salaries and other benefits	**3,960**	**3,960**	**1,550**	**2,490**	**—**	**—**	**—**	**11,960**
Performance related incentive payments (note)	**3,154**	**3,154**	**728**	**751**	**—**	**—**	**—**	**7,787**
Contributions to retirement benefits schemes	**50**	**50**	**86**	**25**	**—**	**—**	**—**	**211**
Total emoluments	**7,164**	**7,164**	**2,364**	**4,436**	**240**	**240**	**240**	**21,848**
2015								
Fees	—	—	—	1,170	240	240	240	1,890
Salaries and other benefits	3,960	3,960	1,550	2,490	—	—	—	11,960
Performance related incentive payments (note)	3,154	3,154	728	751	—	—	—	7,787
Contributions to retirement benefits schemes	50	50	86	24	—	—	—	210
Total emoluments	7,164	7,164	2,364	4,435	240	240	240	21,847

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

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

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

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

12. PROFIT FOR THE YEAR *(continued)*

notes: *(continued)*

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

Employees

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

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**1,620**	1,620
Performance related incentive payments	**803**	803
Contributions to retirement benefits schemes	**66**	66
	2,489	2,489

During each of the year ended 31 March 2016 and 31 March 2015, (i) no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the Directors waived any emoluments.

(ii) Retirement benefits scheme contributions

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

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

As at 31 March 2016 and 2015, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on 15% to 20% (2015: 15% to 20%) of the salaries of the relevant subsidiaries' employees, are charged to the profit or loss in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

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

13. DISTRIBUTIONS

	2016 HK$'000	2015 HK$'000
Dividends recognised as distribution during the year:		
2016 interim dividend of HK4.0 cents (2015: HK5.0 cents) per ordinary share	**87,348**	90,166
2015 final dividend of HK3.0 cents and special dividend of HK4.0 cents (2015: 2014 final dividend of HK4.0 cents) per ordinary share	**130,523**	69,947
	217,871	160,113

Subsequent to the end of the reporting period, a final dividend of HK1.0 cent in respect of the year ended 31 March 2016 (2015: final dividend of HK3.0 cents and special dividend of HK4.0 cents) per Share, which will be payable in cash with a scrip dividend option, has been proposed by the Directors, and is subject to approval by the Shareholders in the forthcoming AGM.

14. EARNINGS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**241,811**	400,459
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share	**–**	(212)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**241,811**	400,247
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,025,445,105**	1,775,244,528
Effect of dilutive potential ordinary shares:		
Company's share options	**24,945,146**	31,102,111
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,050,390,251**	1,806,346,639

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 April 2014	2,595,130	512,731	76,159	99,273	41,420	1,985,718	5,310,431
Acquisition of other subsidiaries	—	—	578	700	469	5,046	6,793
Additions	138	234,766	2,576	4,207	3,622	116,982	362,291
Transfer	—	(447,564)	—	446,921	—	643	—
Transfer to investment properties (Note 17)	(10,361)	—	—	—	—	—	(10,361)
Disposal of interests in subsidiaries (Note 33)	—	—	(2,525)	—	—	—	(2,525)
Disposals	—	—	(860)	(58)	(7,611)	(17,857)	(26,386)
At 31 March 2015	2,584,907	299,933	75,928	551,043	37,900	2,090,532	5,640,243
Exchange realignment	(86,127)	(7,885)	(1,484)	(22,110)	(676)	(81,953)	(200,235)
Additions	577	652,097	2,093	5,130	7,536	120,787	788,220
Transfer	97,098	(815,655)	—	168,057	—	550,500	—
Transfer to investment properties (Note 17)	(102,869)	—	—	—	—	—	(102,869)
Disposals	—	—	(874)	—	(6,077)	(813)	(7,764)
At 31 March 2016	**2,493,586**	**128,490**	**75,663**	**702,120**	**38,683**	**2,679,053**	**6,117,595**
DEPRECIATION AND IMPAIRMENT							
At 1 April 2014	686,577	—	54,487	33,028	26,624	1,383,307	2,184,023
Provided for the year	108,663	—	6,890	14,403	4,930	122,139	257,025
Impairment loss	—	—	559	462	—	—	1,021
Transfer to investment properties (Note 17)	(1,702)	—	—	—	—	—	(1,702)
Eliminated on disposals of interests in subsidiaries (Note 33)	—	—	(2,335)	—	—	—	(2,335)
Eliminated on disposals	—	—	(541)	(54)	(6,013)	(16,447)	(23,055)
At 31 March 2015	793,538	—	59,060	47,839	25,541	1,488,999	2,414,977
Exchange realignment	(28,630)	—	(1,451)	(1,160)	(518)	(53,494)	(85,253)
Provided for the year	105,327	—	5,454	27,338	4,942	121,643	264,704
Transfer to investment properties (Note 17)	(1,188)	—	—	—	—	—	(1,188)
Eliminated on disposals	—	—	(856)	—	(4,786)	(632)	(6,274)
At 31 March 2016	**869,047**	**—**	**62,207**	**74,017**	**25,179**	**1,556,516**	**2,586,966**
CARRYING VALUES							
At 31 March 2016	**1,624,539**	**128,490**	**13,456**	**628,103**	**13,504**	**1,122,537**	**3,530,629**
At 31 March 2015	1,791,369	299,933	16,868	503,204	12,359	601,533	3,225,266

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

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

Leasehold land and buildings	Over 25 years or the term of the lease, if shorter
Furniture, fixtures and equipment	15%–25% 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

	2016	2015
	HK$000	HK$000
The Group's leasehold land and buildings comprise:		
Leasehold land and buildings located in:		
PRC	**1,603,238**	1,768,818
Hong Kong	**19,682**	20,708
Jordan	**1,619**	1,843
	1,624,539	1,791,369

16. PREPAID LEASE PAYMENTS

	2016	2015
	HK$'000	HK$'000
Prepaid lease payments comprise leasehold land in the PRC	**198,137**	206,007
Analysed for reporting purposes as:		
Current assets	**4,815**	4,891
Non-current assets	**193,322**	201,116
	198,137	206,007

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUES	
At 1 April 2014	31,200
Transfer from property, plant and equipment	8,659
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	14,541
Increase in fair value recognised in profit or loss	400
At 31 March 2015	54,800
Transfer from property, plant and equipment	101,681
Transfer from prepaid lease payments	603
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	8,426
Increase in fair value recognised in profit or loss	700
Exchange realignment	(1,553)
At 31 March 2016	**164,657**

During the year ended 31 March 2016, property, plant and equipment and prepaid lease payments with carrying amounts of HK$101,681,000 and HK$603,000, respectively were transferred to investment properties as the management had changed the use of the properties, evidenced by entering into various operating leases with tenants. The properties were fair-valued by Roma Appraisals Limited ("Roma"), an independent qualified professional valuer, not connected with the Group at the date of transfer using the depreciated replacement costs, or by reference to recent market prices and market rental for similar properties in similar locations and conditions, where appropriate. The resulting increase in fair value net of related deferred taxation and non-controlling interest of HK$3,435,000 has been credited to the property revaluation reserve.

During the year ended 31 March 2015, a portion of the Group's office premise under a medium-term lease situated in Hong Kong with a carrying amount of HK$8,659,000 was leased out to a subsidiary of Highlight China, subsequent to the completion of the Disposal (as defined in Note 33). 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 properties were fair-valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent qualified professional valuer not connected with the Group, and the resulting increase in fair value net of non-controlling interest of HK$7,416,000 was credited to the property revaluation reserve.

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

The fair value of the Group's investment properties at 31 March 2016 has been arrived at based on a valuation carried out by Roma. The fair value of the Group's investment properties at 31 March 2015 has been arrived at based on a valuation carried out by Jones Lang LaSalle.

17. INVESTMENT PROPERTIES *(continued)*

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

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

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2016 and 2015 are as follows:

Category	Fair value hierarchy	Fair value 2016 HK$'000	Fair value 2015 HK$'000	Valuation techniques	Key unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	Level 3	**109,157**	–	Depreciated replacement costs approach	Market value of the existing use of land	The higher the market value, the higher the fair value
					Current costs of replacements of the properties	The higher the replacement costs, the higher the fair value
					Provision for physical deterioration and obsolescence and costs of optimisation	The higher the provision and costs, the lower the fair value
Residential property	Level 3	**32,000**	31,300	Market comparable approach	Transaction prices for similar properties after accounting for floor areas and floor level	The higher the transaction prices, the higher the fair value
Commercial property	Level 3	**23,500**	23,500	Income approach	Monthly market rent, taking into account the differences in location and individual factors, such as floor areas and floor level, between the comparables and the property	The higher the market rent, the higher the fair value
					Reversionary yield (derived from monthly market rent)	The higher the reversionary yield, the lower the fair value
		164,657	54,800			

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

17. INVESTMENT PROPERTIES *(continued)*

	2016 HK$'000	2015 HK$'000
The Group's investment properties comprise:		
Investment properties located in:		
PRC	**109,157**	—
Hong Kong	**55,500**	54,800
	164,657	54,800

18. GOODWILL

	HK$'000
COST	
At 1 April 2014, 31 March 2015 and 31 March 2016	**6,614**

As explained in Note 8, the Group has three (2015: three) operating segments. For the purposes of impairment testing, goodwill was allocated to a group of CGUs, which are included in the production and sale of garment products segment. The segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

During the year ended 31 March 2016 and 2015, the Directors determine that there are no impairment of any of its CGUs containing goodwill. The recoverable amount of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2015: 10%). The cash flows beyond the 5-year period are extrapolated using zero growth rate for both years. The growth rate beyond the budget period is estimated based on management forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount.

19. INTANGIBLE ASSET

	HK$000
COST	
At 1 April 2014, 31 March 2015 and 31 March 2016	**1,000**
IMPAIRMENT	
At 1 April 2014	—
Impairment loss recognised as at 31 March 2015	(1,000)
At 31 March 2015 and 31 March 2016	**(1,000)**
CARRYING VALUES	
At 31 March 2016 and 31 March 2015	**—**

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

The trademark has been allocated to a CGU, which is included in the garment products segment. During the year ended 31 March 2015, in view of the operating loss of the CGU, the management assessed the future profitability and cash flows from this CGU and determined that the intangible asset to be fully impaired. Therefore, an impairment loss of HK$1,000,000 was recognised in the profit or loss in the year ended 31 March 2015.

20. INTEREST IN A JOINT VENTURE

	2016 & 2015 HK$'000
Cost of unlisted investment in a joint venture	1,340
Share of post-acquisition losses	(1,340)
	—

As at 31 March 2016 and 31 March 2015, the Group had interest in the following joint venture:

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

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

21. RESTRICTED BANK DEPOSIT

This represents an initial deposit of US$7,990,000 (2015: US$11,640,000) placed with a bank pursuant to one of the Net-settled Contracts (as defined in Note 26) entered into during the years ended 31 March 2016 and 31 March 2015 respectively. The amount is repayable to the Group on 5 March 2019 (2015: 13 February 2017) at US$8,000,000 (2015: US$12,200,000). At 31 March 2015, the bank would repay US$12,200,000 to the Group immediately if the relevant contract was early terminated pursuant to Knockout Event (as defined in Note 26).

During the year ended 31 March 2016, restricted bank deposit amount to USD12,200,000 has been repaid to the Group since the Net-settled Contract has been early terminated.

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

22. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials	**1,426,238**	1,329,560
Work in progress	**636,880**	628,521
Finished goods	**704,702**	645,194
	2,767,820	2,603,275

23. TRADE AND BILLS RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade and bills receivables	**1,570,510**	1,192,557
Bills discounted with recourse and debts factored with recourse	**155,803**	421,694
Less: Allowance for doubtful debts	**(6,243)**	(4,125)
	1,720,070	1,610,126

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

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

	2016 **HK$'000**	2015 HK$'000
0–60 days	**1,104,123**	1,021,484
61–90 days	**380,297**	362,784
91–120 days	**160,765**	147,882
Over 120 days	**74,885**	77,976
	1,720,070	1,610,126

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:

	2016	2015
	HK$'000	HK$'000
RMB	**36,042**	22,840
US$	**220,807**	186,590

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 taking into account the repayment history of the trade customers. The Group has not identified any credit risk on these trade receivables.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$74,885,000 (2015: HK$77,976,000) which were past due, all aged over 120 days, at the end of the reporting period but for which the Group has not provided for impairment loss.

The Group does not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality. The Group has assessed the credit quality of the trade receivables by using the internal assessment, taking into account the repayment history and financial background of the trade customers and has not identified any credit risk on these trade receivables.

As at 31 March 2016, the Group factored certain trade receivables and discounted certain bill receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2016, the carrying amount of trade receivables factored and bills receivables discounted with recourse was HK$155,803,000 (2015: HK$421,694,000).

Movements in the allowance for doubtful debts

	2016	2015
	HK$'000	HK$'000
Balance at beginning of the year	**4,125**	4,125
Exchange realignment	**(49)**	—
Impairment loss recognised on trade receivables	**2,167**	—
Balance at end of the year	**6,243**	4,125

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

24. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's trade and bills receivables as at 31 March 2016 that were transferred to banks by factoring those trade receivables or discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade and bills receivables, it continues to recognise the full carrying amount of the trade and bills receivables and has recognised the cash received on the transfer as an unsecured borrowing (see Note 31). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2016 HK$'000	2015 HK$'000
Carrying amount of trade and bills receivables	155,803	421,694
Carrying amount of associated liabilities	(155,034)	(421,694)

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Deposits paid for purchase of raw materials and garment products	121,994	150,945
Other deposits and prepayments	30,391	19,484
Others	25,812	43,272
	178,197	213,701

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

		Liabilities		Assets	
	notes	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Structured foreign currency forward contracts:	(i)				
Net-settled Contracts	(ii)	122,150	93,451	—	643
Interest rate swap	(iii)	4,632	4,815	—	—
		126,782	98,266	—	643

notes:

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

26. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

notes: *(continued)*

(ii) The pre-determined RMB/US$ exchange rates range from 6.00 to 6.70 (2015: 6.13 to 6.60). The maximum aggregate notional amount of these Net-settled Contracts for the calculation of the monthly net-settled amounts is US$27,000,000 (2015: US$58,000,000), of which US$21,000,000 (2015: US$54,000,000) is related to contracts with knockout provision. The maturity dates of these contracts range from 8 August 2017 to 5 May 2019 (2015: 9 June 2015 to 27 December 2017) subject to knockout provision. At 31 March 2015, the notional amount of a semi-annually Net-settled Contract with no knockout provision was US$32,628,000 (2016: Nil) with maturity date of 29 May 2015 (2016: N/A).

(iii) At 31 March 2016, 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% (2015: 3.56%) per annum amounted to HK$40,000,000 (2015: HK$40,000,000). The interest rate swap is to be net-settled on a quarterly basis over the period from 31 May 2016 to 31 May 2021 (2015: from 31 May 2015 to 31 May 2021).

27. AVAILABLE-FOR-SALE INVESTMENT

	2016 **HK$'000**	2015 HK$'000
Unlisted trust fund (note)	**1,694**	1,754

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

28. BANK BALANCES AND CASH

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

	2016 **HK$'000**	2015 HK$'000
Bank balances and cash	**1,620,208**	1,498,088
Short term deposits	**490,880**	505,302
	2,111,088	2,003,390

The bank balances and short term deposits carry interest at prevailing market rates ranging from 0.001% to 2.50% (2015: 0.001% to 3.30%) per annum for the year.

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

	2016 **HK$'000**	2015 HK$'000
HK$	**25,227**	7,665
RMB	**43,165**	140,360
US$	**8,278**	145,573

29. TRADE AND BILLS PAYABLES

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

	2016 HK$'000	2015 HK$'000
0–60 days	259,220	251,461
61–90 days	89,400	53,830
Over 90 days	48,497	52,957
	397,117	358,248

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:

	2016 HK$'000	2015 HK$'000
US$	64,983	61,238

30. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	30,237	24,691
Accruals	77,724	78,375
Deposits received from customers	10,295	1,301
Rental deposit received	10,699	—
Others	5,642	6,286
	134,597	110,653

31. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank loans	**2,999,768**	2,353,563
Bills discounted with recourse and debts factored with recourse	**155,034**	421,694
Import loans, export loans and trust receipts loans	**1,186,695**	1,022,432
Mortgage loans	**24,117**	26,260
	4,365,614	3,823,949
Analysed as:		
— secured	**353,729**	627,954
— unsecured	**4,011,885**	3,195,995
	4,365,614	3,823,949

	2016 HK$'000	2015 HK$'000
Carrying amounts of bank loans that do not contain repayment on demand clause and repayable (note):		
Within one year	**246,423**	651,139
In more than one year but not more than two years	**522,490**	586,444
In more than two years but not more than three years	**741,175**	990,016
In more than three years but not more than four years	**1,252,826**	—
	2,762,914	2,227,599
Carrying amounts of bank loans that contain repayment on demand clause and repayable (note):		
Within one year	**1,506,050**	1,541,150
In more than one year but not more than two years	**52,219**	29,101
In more than two years but not more than three years	**36,385**	6,391
In more than three years but not more than four years	**1,574**	11,680
In more than four years but not more than five years	**1,621**	1,576
In more than five years	**4,851**	6,452
	1,602,700	1,596,350
	4,365,614	3,823,949
Less: Amounts shown as current liabilities	**(1,849,123)**	(2,247,489)
Amounts shown as non-current liabilities	**2,516,491**	1,576,460

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

31. BANK BORROWINGS *(continued)*

The above includes syndicated loans of HK$2,511,840,000 (2015: HK$1,990,840,000) which bears interest at HIBOR plus 2.17% per annum or LIBOR plus 2.17% per annum with a tenure of 3.75 years (2015: HIBOR plus 2.44% per annum or LIBOR plus 2.44% per annum with a tenure of 2.5 years). The Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 1.50% to 2.50% per annum, LIBOR plus 1.25% to 2.50% per annum or the PBOC Prescribed Rate times 1.1 per annum for the year ended 31 March 2016 (2015: HIBOR plus 1.50% to 2.50% per annum, LIBOR plus 1.25% to 2.50% per annum or the PBOC Prescribed Rate times 1.1 per annum). The range of effective interest rates of the Group's bank borrowings are 1.52% to 5.69% per annum (2015: 1.47% to 6.59% 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:

	2016	2015
	HK$'000	HK$'000
HK$	**24,568**	—
US$	**480,584**	534,350

32. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2014, 31 March 2015 and 31 March 2016	**40,000,000,000**	**400,000**
Issued and fully paid:		
As at 1 April 2014	1,748,682,605	17,487
Issue of Shares pursuant to scrip dividend scheme for 2014 final dividend (note i)	54,441,861	544
Issue of Shares pursuant to scrip dividend scheme for 2015 interim dividend (note ii)	59,235,433	592
Issue of Shares upon exercise of share options (Note 34)	200,000	2
As at 31 March 2015	1,862,559,899	18,625
Issue of Shares pursuant to scrip dividend scheme for 2015 final dividend (note iii)	15,127,796	151
Issue of Shares pursuant to scrip dividend scheme for 2015 special dividend (note iii)	17,032,059	170
Issue of Shares pursuant to scrip dividend scheme for 2016 interim dividend (note iv)	2,498,932	25
Issue of Shares upon exercise of share options (Note 34)	2,550,000	26
Issue of Shares upon subscription of shares, net of related transaction costs (note v)	372,460,000	3,725
As at 31 March 2016	**2,272,228,686**	**22,722**

notes:

(i) On 24 October 2014, the Company issued and allotted a total of 54,441,861 Shares of HK$0.01 each at an issue price of HK$1.0127 each in lieu of cash for the 2014 final dividends pursuant to the scrip dividend circular to Shareholders dated 19 September 2014. These Shares ranked pari passu in all respects with the then existing Shares.

(ii) On 13 March 2015, the Company issued and allotted a total of 59,235,433 Shares of HK$0.01 each at an issue price of HK$1.0583 each in lieu of cash for the 2015 interim dividends pursuant to the scrip dividend circular to Shareholders dated 16 January 2015. These Shares ranked pari passu in all respects with the then existing Shares.

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

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

32. SHARE CAPITAL *(continued)*

notes: *(continued)*

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

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

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

33. ACQUISITION/DISPOSAL OF INTERESTS IN SUBSIDIARIES

On 14 March 2014, Sure Strategy and Victory City Investments Limited ("VC Investments"), subsidiaries of the Company, and Merlotte, a non-controlling shareholder of a subsidiary of the Company, and an independent third party (the "Purchaser") entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase and Sure Strategy, VC Investments and Merlotte conditionally agreed to sell their respective 315,200,000, 2,448,000 and 2,352,000 ordinary shares in Highlight China at an aggregate cash consideration of HK$258,560,000 (the "Disposal").

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

Completion of the Disposal was conditional upon, among other things, completion of the Acquisition. The Acquisition and the Disposal were completed on 22 July 2014.

33. ACQUISITION/DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

Upon completion of the Acquisition and Disposal, the Group received a special cash dividend from Highlight China on a basis of HK$0.72 per Highlight China's share.

(a) Acquisition of additional interests in subsidiaries

The companies comprising the Target Group were subsidiaries of the Company since their incorporation or being acquired by the Group. The Acquisition had resulted in changes in the Group's shareholding of the Target Group companies, without changes in its controls over them. Accordingly, the Acquisition had been accounted for as an equity transaction and no goodwill had been recognised upon completion of the Acquisition. The difference between the consideration paid and the net asset value of the Target Group, attributable to the change of non-controlling interests (as a result of the Acquisition), of HK$4,433,000 had been credited to accumulated profits.

(b) Disposal of subsidiaries

Upon completion of the Acquisition, the Group disposed of its approximately 61.11% equity interest in Highlight China and Highlight China ceased to be a subsidiary of the Group.

The net assets of Highlight China at the date of the Disposal were as follows:

	HK$'000
Property, plant and equipment	190
Inventories	21,793
Trade receivables	45,707
Deposits, prepayments and other receivables	5,470
Bank balances and cash	20,134
Trade payables	(37,148)
Other payables and accrual	(6,838)
Taxation payable	(1,877)
Net assets	47,431
Less: Non-controlling interests	(18,445)
Net assets disposed of	28,986
Gain on disposal	227,674
Total consideration to Sure Strategy and VC Investments, satisfied by cash	256,660
Net cash inflow arising on disposal:	
Total cash consideration	256,660
Deposit received for the year ended 31 March 2014	(20,000)
Bank balances and cash disposed of	(20,134)
	216,526

During the year ended 31 March 2015, contribution of Highlight China and its subsidiaries to the Group's revenue and profit attributable to owners of the Company was insignificant. Net cash flow of Highlight China and its subsidiaries before the Disposal was also insignificant to the Group.

33. ACQUISITION/DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

(c) Acquisition of other subsidiaries during the year ended 31 March 2015

On 1 January 2015, the Group acquired 100% equity interests in (i) Chinese Garments and Fashions Manufacturing Company Limited and (ii) Jerash for Industrial Embroidery Company Limited from certain independent third parties for an aggregate considerations of Jordanian dinar 100,000 (equivalent to HK$1,096,000). These subsidiaries are established in Jordan and engaged in the business of embroidery in Jordan, which is included in the garment products segment. The Group obtained control on the date of acquisition which has been accounted for using the purchase method. The fair value of assets acquired and liabilities recognised at the date of acquisitions approximate the considerations transferred. No goodwill nor bargain purchase gain is resulted from the acquisitions.

These subsidiaries had no significant contribution to the Group's revenue or results for the year ended 31 March 2015.

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	6,793
Trade and other receivables	5,268
Trade and other payables	(10,965)
	1,096
Net cash outflow arising on the acquisition:	
Cash consideration paid	(1,096)

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme of the Company

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

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

(a) Share Option Scheme of the Company *(continued)*

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

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per grant of option(s). Options may, subject to the black-out periods under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board 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 following table discloses movements in the Company's share options during both years:

				Number of option shares					
Category	**Date of grant**	**Exercise price** HK$	**Exercisable period**	**Outstanding at 1.4.2014**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.3.2015**	**Exercised during the year**	**Outstanding at 31.3.2016**
Directors									
Mr. Li Ming Hung	2 April 2012	0.782	2.4.2012–1.4.2017	1,200,000	–	–	1,200,000	–	**1,200,000**
Mr. Chen Tien Tui	2 April 2012	0.782	2.4.2012–1.4.2017	1,200,000	–	–	1,200,000	–	**1,200,000**
Mr. Lee Yuen Chiu, Andy	2 April 2012	0.782	2.4.2012–1.4.2017	5,000,000	–	–	5,000,000	–	**5,000,000**
Mr. Choi Lin Hung	2 April 2012	0.782	2.4.2012–1.4.2017	12,000,000	–	–	12,000,000	–	**12,000,000**
Employees	2 April 2012	0.782	2.4.2012–1.4.2017	87,250,000	(200,000)	(50,000)	87,000,000	(2,550,000)	**84,450,000**
				106,650,000	(200,000)	(50,000)	106,400,000	(2,550,000)	**103,850,000**
Exercisable at the end of the year				106,650,000			106,400,000		**103,850,000**
Weighted average exercise price (HK$)				0.782	0.782	0.782	0.782	0.782	**0.782**

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

(b) Share Option Scheme of Highlight China, formerly known as Ford Glory Group Holdings Limited

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

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

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

As disclosed in Note 33, the Disposal relating to interests in Highlight China, was completed on 22 July 2014. All outstanding share options in the Highlight China Scheme were fully exercised before 22 July 2014.

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

(b) Share Option Scheme of Highlight China, formerly known as Ford Glory Group Holdings Limited *(continued)*

The following table discloses movements in Highlight China's share options for the period from 1 April 2014 to 22 July 2014 (the date of the Acquisition and the Disposal were completed):

Category	Date of grant	Vesting period	Exercise price HK$	Exercisable period	Number of share options: Outstanding at 1.4.2014	Exercised during the period	Outstanding at 22.7.2014
Directors of Highlight China							
Mr. Lau Kwok Wa, Stanley (resigned on 16 August 2014)	2 June 2010	5.10.2010–4.10.2012	0.6	5.10.2012–31.5.2020	5,350,000	(5,350,000)	–
Mr. Ng Tze On (resigned on 16 August 2014)	2 June 2010	5.10.2010–4.10.2012	0.6	5.10.2012–31.5.2020	5,350,000	(5,350,000)	–
Employees							
Mr. Ng Tsze Lun	2 June 2010	5.10.2010–4.10.2012	0.6	5.10.2012–31.5.2020	21,000,000	(21,000,000)	–
(note i)	27 April 2011	27.4.2011–26.4.2013	0.844	27.4.2013–26.4.2016	37,000,000	(37,000,000)	–
Other employees	2 June 2010	5.10.2010–4.10.2012	0.6	5.10.2012–31.5.2020	350,000	(350,000)	–
(note ii)	27 April 2011	27.4.2011–26.4.2013	0.844	27.4.2013–26.4.2016	465,000	(465,000)	–
					69,515,000	(69,515,000)	–
Exercisable at the end of the year/period					69,515,000		–
Weighted average exercise price (HK$)					0.73	0.73	–

notes:

(i) The grant of the share options to Mr. Ng Tsze Lun was approved by shareholders in a special general meeting of Highlight China held on 27 April 2011.

(ii) Other employees include employees of Highlight China (other than the directors of Highlight China) working under employment contracts with Highlight China which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

(iii) In respect of the share options exercised during the period from 1 April 2014 to 22 July 2014, the weighted average share price at the dates of exercise is HK$2.97.

35. 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:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	2,433	2,524
Deferred tax liabilities	(87,424)	(84,780)
	(84,991)	(82,256)

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

	Fair value adjustments on prepaid lease payments and property, plant and equipment arising on business combination HK$'000	Accelerated tax and accounting depreciation HK$'000	Dividend withholding tax HK$'000	Fair value adjustments on investment properties HK$'000	Others HK$'000	Total HK$'000
At 1 April 2014	70,059	(1,421)	16,194	—	(2,599)	82,233
(Credit) charge to profit or loss	(3,464)	(128)	3,772	—	(157)	23
At 31 March 2015	66,595	(1,549)	19,966	—	(2,756)	82,256
(Credit) charge to profit or loss	(3,400)	5	7,165	—	93	3,863
Charge to revaluation reserve	—	—	—	2,106	—	2,106
Exchange differences	(2,344)	—	(833)	(57)	—	(3,234)
At 31 March 2016	**60,851**	**(1,544)**	**26,298**	**2,049**	**(2,663)**	**84,991**

At the end of the reporting period, the Group had unused tax losses of approximately HK$158,751,000 (2015: HK$124,789,000) available for offset against future profits. Tax losses of approximately HK$6,664,000 (2015: Nil) were released on deregistration of a subsidiary for the year ended 31 March 2016. No deferred tax asset on the unused tax losses of HK$158,751,000 (2015: HK$124,789,000) has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

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

36. MAJOR NON-CASH TRANSACTION

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

37. 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:

	2016 HK$'000	2015 HK$'000
Property, plant and equipment	**180,203**	189,146
Prepaid lease payments	**150,525**	154,856
Investment properties	**55,500**	54,700
Other assets	**7,124**	7,124
	393,352	405,826

38. COMMITMENTS

(i) Capital commitments

	2016 HK$'000	2015 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	**49,393**	14,278

(ii) Operating lease commitments

The Group as lessee

	2016 HK$'000	2015 HK$'000
Minimum lease payments paid under operating leases in respect of office premises and warehouses during the year	**12,900**	15,464

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

	2016 HK$'000	2015 HK$'000
Within one year	**11,441**	11,935
In the second to fifth year inclusive	**16,047**	22,891
	27,488	34,826

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

38. COMMITMENTS *(continued)*

(ii) Operating lease commitments *(continued)*

The Group as lessee (continued)

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

	2016 HK$'000	2015 HK$'000
Within one year	1,262	1,800
In the second to fifth year inclusive	612	854
	1,874	2,654

The relevant expenses for the year is disclosed in Note 40(i).

(iii) Operating lease arrangement

The Group as lessor

Rental income earned from investment properties, and plant and machinery during the year was HK$25,366,000 (2015: HK$1,572,000).

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

	2016 HK$'000	2015 HK$'000
Within one year	29,058	1,772
In the second to fifth year inclusive	48,728	551
In more than five years	5,755	—
	83,541	2,323

39. INFORMATION OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 March 2016 is as follows:

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investment in subsidiaries	2,512,334	2,512,334
Property, plant and equipment	625	849
	2,512,959	2,513,183
Current assets		
Prepayment and other receivables	1,645	1,630
Amounts due from subsidiaries	1,156,369	801,146
Bank balances	388	462
	1,158,402	803,238
Current liabilities		
Other payables	3,011	3,084
Amounts due to subsidiaries	113,302	113,302
Dividend payable	197	202
	116,510	116,588
Net current assets	1,041,892	686,650
Net assets	3,554,851	3,199,833
Capital and reserves		
Share capital	22,722	18,625
Share premium and reserves (note)	3,532,129	3,181,208
Total equity	3,554,851	3,199,833

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

note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2014	1,765,473	39	25,152	—	1,184,922	2,975,586
Profit for the year	—	—	—	—	248,895	248,895
2014 final dividend declared (Note 13)	—	—	—	69,947	(69,947)	—
2015 interim dividend declared (Note 13)	—	—	—	90,166	(90,166)	—
Issue of shares under scrip dividend scheme for 2014 final dividend	54,589	—	—	(55,133)	—	(544)
Issue of shares under scrip dividend scheme for 2015 interim dividend	62,097	—	—	(62,689)	—	(592)
Dividends paid in cash	—	—	—	(42,291)	—	(42,291)
Issue of shares upon exercise of share options	201	—	(47)	—	—	154
Lapse of share options	—	—	(12)	—	12	—
At 31 March 2015	1,882,360	39	25,093	—	1,273,716	3,181,208
Profit for the year	—	—	—	—	198,448	198,448
2015 final dividend declared (Note 13)	—	—	—	55,938	(55,938)	—
2015 special dividend declared (Note 13)	—	—	—	74,585	(74,585)	—
2016 interim dividend declared (Note 13)	—	—	—	87,348	(87,348)	—
Issue of shares under scrip dividend scheme for 2015 final dividend	15,341	—	—	(15,492)	—	(151)
Issue of shares under scrip dividend scheme for 2015 special dividend	17,272	—	—	(17,442)	—	(170)
Issue of shares under scrip dividend scheme for 2016 interim dividend	1,851	—	—	(1,876)	—	(25)
Dividends paid in cash	—	—	—	(183,061)	—	(183,061)
Issue of shares upon exercise of share options	2,570	—	(601)	—	—	1,969
Issue of shares upon subscription of shares (Note 32)	333,911	—	—	—	—	333,911
At 31 March 2016	**2,253,305**	**39**	**24,492**	**—**	**1,254,293**	**3,532,129**

40. RELATED PARTY DISCLOSURES

The Group entered into the following transactions with related parties:

(i) During the year ended 31 March 2016, the Group paid operating lease rental of approximately HK$984,000 (2015: HK$619,000) to Verdure Enterprises Limited ("Verdure"). Verdure is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

During the year ended 31 March 2016, the Group paid operating lease rental of approximately HK$204,000 (2015: Nil) to Takemain Development Limited ("Takemain"). Takemain is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

40. RELATED PARTY DISCLOSURES *(continued)*

(i) *(continued)*

During the year ended 31 March 2016, the Group paid operating lease rental of approximately HK$612,000 (2015: HK$816,000) to Rich Trade Development Limited ("Rich Trade"). Rich Trade is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

During the year ended 31 March 2015, the Group paid operating lease rental of approximately HK$365,000 (2016: Nil) to Win Most Development Limited ("Win Most"). Win Most is owned by a discretionary trust, the beneficiaries of which include Mr. Li Ming Hung, a Director who has significant influence over the Company, and his family members.

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

	2016	2015
	HK$'000	HK$'000
Short-term benefits	**24,060**	24,060
Post employment benefits	**277**	276
	24,337	24,336

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2016 and 2015 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 2016	Attributable to the Group 2015	Held by the Company 2016	Held by the Company 2015	Held by subsidiaries 2016	Held by subsidiaries 2015	Principal activities
Best Linkage (Macao Commercial Offshore) Limited	Macau	MOP100,000	100	100	–	–	100	100	Trading of knitted fabric
Champion Fortune Asia Limited	Hong Kong	Ordinary HK$2	100	100	–	–	100	100	Trading of dyed yarn
Elite Sound Investment Limited	Hong Kong	Ordinary HK$1	100	100	–	–	100	100	Investment holding
FG Holdings (note v)	British Virgin Islands	Ordinary US$100	51	51	–	–	100	100	Investment holding
FG International (note v)	Hong Kong	Ordinary HK$5,000,000	51	51	–	–	100	100	Trading of garment products
Global Honour Investments Limited	British Virgin Islands	Ordinary US$1	100	100	–	–	100	100	Investment holding
Glory Time Limited (note v)	Hong Kong	Ordinary HK$100	35.7	35.7	–	–	70	70	Trading of garment products
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	100	100	–	–	100	100	Provision of management services
PT. Victory Apparel Semarang (note v)	Indonesia	Ordinary US$300,000	51	51	–	–	100	100	Manufacture of garment products
Sure Strategy	British Virgin Islands	Ordinary US$100	51	51	–	–	51	51	Investment holding
Value Plus (Macao Commercial Offshore) Limited (note v)	Macau	MOP100,000	51	51	–	–	100	100	Procurement of fabric
Victory Apparel (Jordan) Manufacturing Company Limited (note v)	Jordan	Ordinary JD50,000	51	51	–	–	100	100	Manufacture of garment products
Victory City Company Limited	Hong Kong	Ordinary HK$10 Deferred HK$8,000,000 (note i)	100	100	–	–	100	100	Trading of knitted fabric
VC Holdings	British Virgin Islands	Ordinary US$6	100	100	100	100	–	–	Investment holding
VC Investments	British Virgin Islands	Ordinary US$1	100	100	100	100	–	–	Investment holding
VC Overseas	British Virgin Islands	Ordinary US$2 Preference US$3,300 (note ii)	100	100	–	–	100	100	Investment holding

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries at 31 March 2016 and 2015 are as follows: *(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		
			2016	2015	**2016**	2015	**2016**	2015	
江門市新會區冠華針織廠有限公司 ("Xinhui Victory City") (note iii)	PRC	US$57,694,165	**100**	100	**–**	–	**100**	100	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 (note iii)	PRC	US$8,230,182	**100**	100	**–**	–	**100**	100	Dyeing of yarn and provision of related subcontracting services
江門冠暉制衣有限公司 (notes iii and v)	PRC	Registered HK$31,260,000	**51**	51	**–**	–	**100**	100	Manufacture of garment products
福之源貿易(上海)有限公司 (notes iii and v)	PRC	Registered RMB1,000,000	**51**	51	**–**	–	**100**	100	Trading of garment products and accessories
江門市冠達化工科技有限公司 (formerly known as 江門市冠達紡織材料有限公司) (note iii)	PRC	(note iv)	**90**	90	**–**	–	**90**	90	Mixing of chemicals
Nanjing Synergy Textiles Limited (note iii)	PRC	Registered US$39,000,000	**100**	100	**–**	–	**100**	100	Manufacture and trading of yarn

notes:

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

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

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

(iv) The company is a co-operative joint venture established in the PRC. The verified paid up registered capital of 江門市冠達化工科技有限公司 (formerly known as 江門市冠達紡織材料有限公司) was approximately RMB46,000,000 as at 31 March 2016 and 2015.

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

None of the subsidiaries had any debt securities subsisting at 31 March 2016 or at any time during the year.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. In addition, the Group has 29 (2015: 28) inactive/dormant subsidiaries. To give details of these inactive/dormant subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	HK$'000	**HK$'000**	HK$'000
Sure Strategy	British Virgin Islands	**49%**	49%	**7,568**	116,447	**148,466**	139,178
Individually immaterial subsidiaries with non-controlling interests						**5,568**	5,510
						154,034	144,688

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Sure Strategy

	2016 HK$'000	2015 HK$'000
Current assets	**478,384**	455,994
Non-current assets	**189,250**	179,910
Current liabilities	**411,838**	402,781
Non-current liabilities	**4,283**	2,301
Equity attributable to owners of the Company	**103,047**	91,644
Non-controlling interests	**148,466**	139,178
Revenue	**810,899**	917,704
Expenses, other income and other gains or losses	**(793,313)**	(678,926)
Profit for the year	**17,586**	238,778
Other comprehensive income for the year	**3,105**	14,548
Total comprehensive income for the year	**20,691**	253,326
Profit for the year attributable to non-controlling interests	**7,568**	116,447
Total comprehensive income for the year attributable to the non-controlling interests	**9,288**	123,579
Dividends paid to non-controlling interests	**–**	93,897

42. EVENT AFTER REPORTING PERIOD

The following event took place after the reporting period:

On 18 March 2016, the Company entered into a placing agreement with the First Placing Agent. Pursuant to the placing agreement, the First Placing Agent agreed to place up to 500,000,000 placing shares to third parties which (including their beneficial owners, where applicable) are (i) independent of, not connected with and not acting in concert with or directly or indirectly funded by any of the Vendors or their respective concert parties; (ii) not connected persons of the Company and are independent of and not connected with the Company, the Directors, chief executive or substantial Shareholders; and (iii) have not become substantial Shareholders following the placing at HK$0.52 per placing share. The placing was completed on 17 May 2016.

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
www.victorycity.com.hk