2019 年報
ANNUAL REPORT

VICTORY CITY INTERNATIONAL HOLDINGS LIMITED
冠華國際控股有限公司

stock code 股份代號：539

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Lee Chung Shing

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

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

Corporate Information

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda
(With effect from 19 July 2019,
MUFG Fund Services (Bermuda) Limited
change its address to
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda)

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(With effect from 11 July 2019,
Tricor Secretaries Limited
change its address to
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong)

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY WEBSITE

www.victorycity.com.hk

FINANCIAL HIGHLIGHTS AND SUMMARY

RESULTS

	Year ended 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	5,137,415	4,911,216	4,939,904	4,960,298	**5,413,027**
Profit before taxation	544,772	282,400	137,732	348,579	**293,524**
Income tax expense	(28,372)	(32,880)	(24,156)	(29,386)	**(22,017)**
Profit for the year	516,400	249,520	113,576	319,193	**271,507**
Attributable to:					
Owners of the Company	400,459	241,811	135,526	330,131	**284,412**
Non-controlling interests	115,941	7,709	(21,950)	(10,938)	**(12,905)**
	516,400	249,520	113,576	319,193	**271,507**
Distributions	160,113	217,871	27,722	—	**50,317**

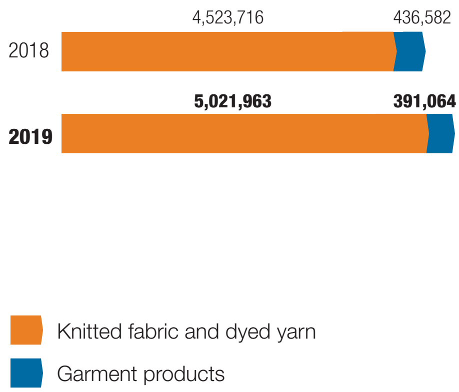
ASSETS AND LIABILITIES

	At 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	10,069,054	10,799,123	11,925,166	13,345,296	**13,261,277**
Total liabilities	(4,554,967)	(5,184,525)	(6,167,903)	(6,371,360)	**(6,456,510)**
	5,514,087	5,614,598	5,757,263	6,973,936	**6,804,767**
Equity attributable to:					
Owners of the Company	5,369,399	5,460,564	5,700,109	6,934,647	**6,779,295**
Non-controlling interests	144,688	154,034	57,154	39,289	**25,472**
	5,514,087	5,614,598	5,757,263	6,973,936	**6,804,767**

Financial Highlights and Summary

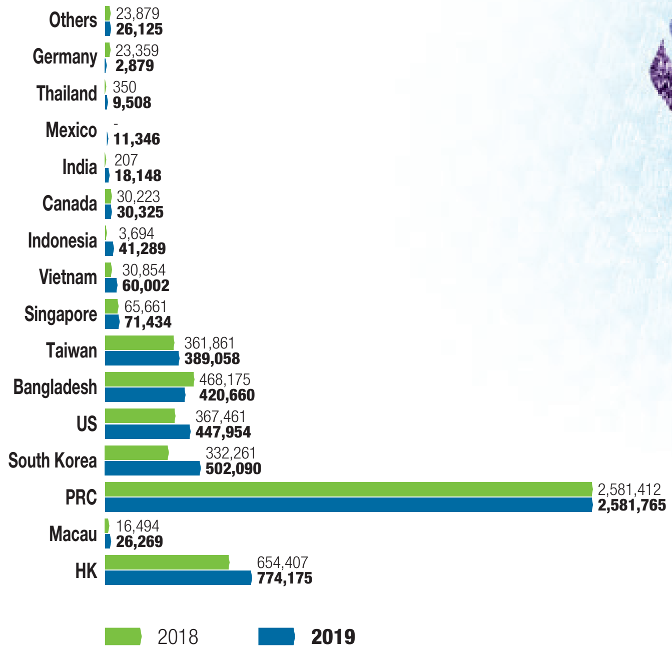
REVENUE BY BUSINESS SEGMENTS

HK$'000

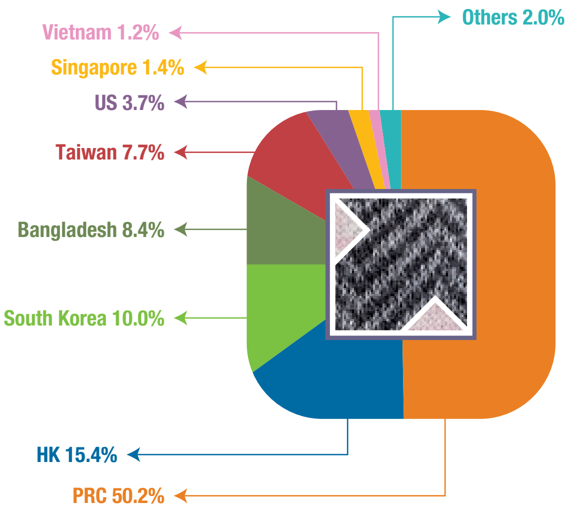


REVENUE BY GEOGRAPHICAL SEGMENTS

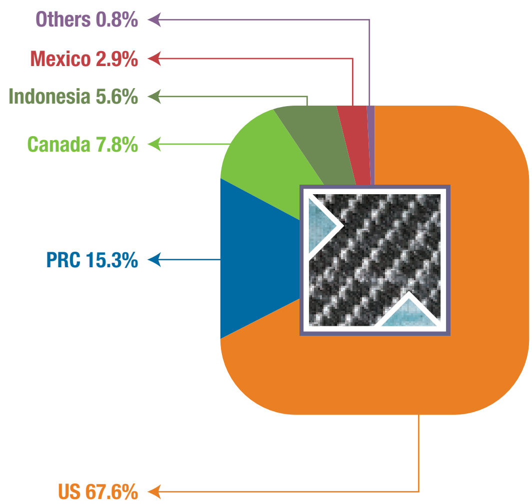
HK$'000



KNITTED FABRIC AND DYED YARN



GARMENT PRODUCTS



CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Victory City International Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present the annual results for the year ended 31 March 2019.

DIVIDENDS

The Directors have resolved not to declare any final dividend for the year ended 31 March 2019 (2018: HK1.0 cent per share).

BUSINESS REVIEW

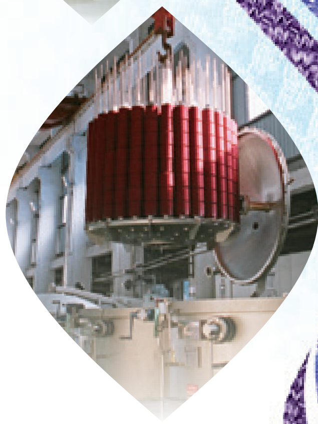
The financial year ended 31 March 2019 continued to exert massive pressure to the textile and garment industry, marked by a complicated and volatile market situation intensified by the trade war between the United States of America ("US") and the People's Republic of China (the "PRC"). Facing such a tough business environment, the Board made concrete measurements in production management, marketing strategy, product development as well as cost control. As a result of all these, the Group managed to maintain overall operation stability and achieved persistent growth in both revenue and operating profits during the year under review.

During the reporting period, the consolidated revenue of the Group amounted to approximately HK$5,413 million, representing an increase of approximately 9.1% from the previous year (2018: HK$4,960 million). Gross profit increased by approximately 14.5% to approximately HK$994 million (2018: HK$868 million). Profit attributable to owners of the Company amounted to approximately HK$284 million, which included gain on fair value change of investment properties of approximately HK$3 million (2018: HK$1 million), net gain on fair value change of financial assets of approximately HK$3 million (2018: Nil), total loss on derivative financial instruments of approximately HK$7 million (2018: net gain of HK$89 million) and a one-off goodwill written-off of approximately HK$3 million and loss on disposal of a subsidiary of approximately HK$1 million. Hence, profit for core operations for the reporting period was approximately HK$289 million after adjusting the above-mentioned non-operating gains and losses, representing an approximately 18.4% growth as compared to the previous year (2018: HK$244 million). Basic earnings per share was HK55.9 cents (2018: 75.7 cents).

Textile Business

For the year ended 31 March 2019, production and sale of knitted fabric and dyed yarn remained as the Group's principal operation, accounting for approximately 93% of the Group's consolidated revenue. Revenue for the textile segment was approximately HK$5,022 million, representing an increase of approximately 11.0% from the previous year (2018: HK$4,524 million). Net operating profit was approximately HK$299 million as compared to HK$262 million of previous year.

Chairman's Statement



Despite the unstable world economy and difficult operating environment, the Group was capable of increasing the sales volume of its textile business. The increase was mainly contributed by strategically placing more effort and resources on established mass market clients and the flexible pricing policy of the Group. In addition, the Group's scale production capability, quality products and timely delivery have won customers' confidence in placing orders. Although production cost of knitted fabric continued to increase during the reporting period, the Group was able to maintain the gross profit margin of the textile segment. With the help of the continuous adoption of advanced technology and automated machineries, coupled with proactive cost-saving measures, the Group managed to offset the rising pressure of operation costs. Furthermore, sufficient order flow throughout the year led to economies of scale that effectively leveraged down the production overheads. Gross profit margin and net margin was approximately 18.5% and 6.0% respectively for the year ended 31 March 2019 for the textile segment (2018: 18.1% and 5.8%).

Garment Business

For the year ended 31 March 2019, revenue of the garment business was approximately HK$391 million, with a decrease of approximately 10.5% from approximately HK$437 million last year. The decrease was mainly attributable to the further consolidation of clientele to focus on customers providing steady order flows and profit margin.

There was a net loss of approximately HK$27 million for the year compared to HK$22 million last year. The increase in net loss this year was mainly attributable to non-recurring items including loss on disposal of subsidiaries of approximately HK$3 million and goodwill written-off of approximately HK$6 million for the production base in the PRC that has evolved into primarily a product development center and back office supporting export businesses.

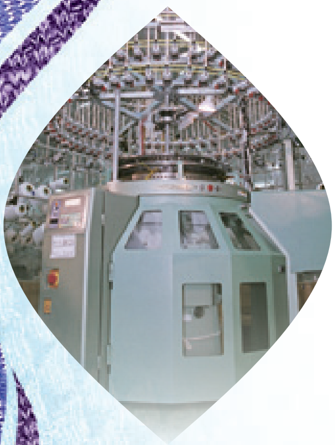
Major Movement

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

On 18 April 2019, the Company issued and allotted 2,589,706,603 ordinary shares of HK$0.01 each (the "Shares") at a subscription price of HK$0.098 each, by way of rights issue (the "Rights Issue") in the proportion of one rights share (the "Rights Share") for every two Shares held on 15 March 2019. The net proceeds of approximately HK$249.3 million was used as general working capital of the Group and funding for construction of a new boiler and a new electron beam waste water treatment plant.

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

Chairman's Statement



PROSPECTS

Looking forward, it is expected that the global economy will continue to be unstable and the consumer markets will remain soft. The US-PRC trade war has no direct business affection as the Group does not export finish products directly from the PRC to the US. However, the indirect and long term impact remain unseen. The US retailers started to adopt a more prudent procurement strategy in preparation for the global economic slowdown. The Directors strongly believe that with its solid foundation together with environmental-conscious production facilities, the Group will maintain its sustainability.

The Group is determined to remain competent in fulfilling orders with high quality under tight schedules. The Group will continue to strengthen its competitive edge by effective allocation of resources to enhance its overall efficiency, focus on research and development of new and value-added products to improve profit margins and expand to new markets and regions to mitigate operation risks.

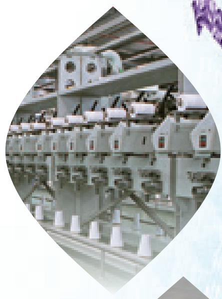
The Group has been actively seeking appropriate location for a new production base in Bangladesh with a view to lowering the average manufacturing costs and risk diversification. As at the date of this report, discussions with potential joint venture partners are on-going.

While the Group is planning to direct more resources to the more profitable fabric business, the Group will continue to focus on garment customers with stable orders and profit margin, and leverage on its capability in using garment sub-contractors to maintain competitiveness of the garment business. The Group has disposed of its garment production base in Indonesia in February 2019 in order to lower fixed costs of the garment segment while fulfilling customer orders with sub-contractors to maintain flexibility. Potential buyers have also shown interest for possible acquisition of the Group's other production bases. No agreement has been signed as at the date of this report.

Going forward, although tough and challenging, the Directors remain cautiously optimistic to maintain consistent growth of the Group so as to bring the most satisfactory returns to the shareholders of the Company (the "Shareholders").

APPRECIATION

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



Li Ming Hung
Chairman

Hong Kong
27 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 March 2019 amounted to approximately HK$5,413 million, represented an increase of approximately 9.1% as compared to last year. Revenue contributed by the textile segment was approximately HK$5,022 million, representing an increase of approximately 11.0% from the previous year, mainly attributable to the enhanced production capabilities through streamlining the production processes and automation of machineries. Revenue contributed by the garment segment was approximately HK$391 million, representing a decrease of approximately 10.5% from last year, mainly due to further consolidation of clientele to focus on customers with steady profit margin.

During the year under review, the Group achieved continuous growth in the textile business as a result of enhanced production capacity of knitted fabric. Both gross margin and net margin benefitted from the achievement of economies of scale, offset the increasing operating costs such as cotton yarn, dyestuff, chemicals, and coal. Gross margin and net margin was approximately 18.5% and 6.0% respectively (2018: 18.1% and 5.8%).

Other income mainly comprised interest income of approximately HK$45.6 million (2018: HK$46.9 million), sample and scrap sales of approximately HK$7.7 million (2018: HK$11.6 million) and rental income of approximately HK$23.3 million (2018: HK$21.7 million).

Other gains and losses mainly comprised of loss from litigation claims of approximately HK$46.1 million. Details are stated in Note 7 to the consolidated financial statements. In addition, there were net loss on derivative financial instruments amounted to approximately HK$6.8 million (2018: net gain of HK$89.3 million) and goodwill written-off of approximately HK$6.2 million.

Finance costs increased from approximately HK$192.5 million in 2018 to approximately HK$230.8 million in 2019, mainly due to the increase in prevailing interest rates and accrued interest for convertible bonds. 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 2019, the Group had total assets of approximately HK$13,261 million (2018: HK$13,345 million) which were financed by current liabilities of approximately HK$3,917 million (2018: HK$3,396 million), long term liabilities of approximately HK$2,540 million (2018: HK$2,975 million) and shareholders' equity of approximately HK$6,779 million (2018: HK$6,935 million). The current ratio was approximately 2.0 (2018: 2.4) and the gearing ratio, being defined as net debt (representing by total bank borrowings net of cash and cash equivalents) to shareholders' funds, was approximately 39.5% (2018: 33.4%). All of the Group's borrowings were at floating rate basis.

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

Foreign Exchange and Interest Rate Risks

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

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and US dollars ("US$"). The fluctuations in the Renminbi 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$1,005 million on additions to property, plant and equipment.

As at 31 March 2019, the Group had capital commitments of approximately HK$161 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 2019, certain property, plant and equipment, prepaid lease payments and investment properties of the Group with net book value of approximately HK$446 million (2018: HK$423 million) were pledged to banks to secure credit facilities granted.

Employee Information

As at 31 March 2019, the total number of employees of the Group was approximately 1,150 in Cambodia, approximately 4,500 in the PRC and approximately 105 in Hong Kong, Macau and other places. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

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

Major Customers and Suppliers

For the year under review, sales to the five largest customers of the Group accounted for approximately 20.5% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 6.1%.

Purchase from the five largest suppliers of the Group accounted for approximately 25.3% of the total purchases for the year and purchase from the largest supplier included therein accounted for approximately 8.0%.

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

Future Plans for Material Investments or Capital Assets

The Company plans to form a joint venture where it is expected that a production plant with wastewater treatment facilities will be constructed in Bangladesh and will be used for the yarn manufacturing and fabric production. For further details, please refer to the announcement of the Company dated 3 July 2019.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Ming Hung, aged 68, is the Chairman of the Company and a co-founder of the Group. He has over 42 years experience in the textile industry and is responsible for the overall strategic planning of the corporate as well as business development of the Group.

Mr. Chen Tien Tui, aged 70, is the Chief Executive Officer of the Company and a co-founder of the Group. He has over 40 years experience in the textile industry and is responsible for the day-to-day operation in respect of production, sales and marketing of the Group. 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 54, is an executive Director. He has over 33 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 57, 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.

Independent Non-executive Directors

Mr. Kan Ka Hon, aged 68, 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 71, is an independent non-executive Director. Mr. Phaisalakani graduated from Minnesota State University at Mankato, US and is a chartered professional accountant in Canada as well as a member of Hong Kong Institute of Certified Public Accountants ("HKICPA"). He has worked for an international accounting firm for 11 years and has extensive experience in finance and corporate management with major electronics and garments corporations. Mr. Phaisalakani is an independent non-executive director of Eagle Ride Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange. He is also the chief financial officer of Analogue Holdings Limited, a company listed on the Main Board of the Stock Exchange. He resigned from his position as a senior

consultant of Vestate Group Holdings Limited (formerly known as 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 64, is an independent non-executive Director. Mr. Kwok currently holds a registered investment adviser licence and is a director of The Institute of Securities Dealers Limited and a vice chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators Limited. Having served the securities industry for over 40 years, Mr. Kwok has vast experience in securities and futures investment and operation. Since 1985, Mr. Kwok has been invited to appear on television and radio programmes to explain market trends and analyze stock market developments. He also provides professional investment analyses in newspapers and investment websites. Mr. Kwok resigned his position as an executive director of Bright Smart Securities & Commodities Group Limited, a company listed on the Main Board of the Stock Exchange, in February 2017. Mr. Kwok joined the Group in 2006.

SENIOR MANAGEMENT

Mr. Lee Chung Shing, aged 52, 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 30 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 64, 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 65, 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 46, 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 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and garment products. The principal activities of its principal subsidiaries are set out in Note 45 to the consolidated financial statements.

BUSINESS REVIEW AND PROSPECTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

For the principal risks and uncertainties facing the Group, please refer to the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report for further details. The Group is also subject to currency risk, interest rate risk, credit risk and liquidity risk, the details of which are set out in Note 43 to the consolidated financial statements of the Group. These discussions form part of this Directors' Report.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78. The Directors have resolved not to declare any final dividend for the year ended 31 March 2019.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK$1,005,424,000 for the expansion of its business. Details of movements in the property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2019, represented by its accumulated profits, dividend reserve and contributed surplus, were approximately HK$1,906,256,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 34 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. Choi Lin Hung, Mr. Kan Ka Hon and Mr. Phaisalakani Vichai will retire as Directors by rotation at the annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election. All other Directors will continue to be in office.

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" in this report and Note 41 to the consolidated financial statements, no transactions, arrangements or contracts of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 41 to the consolidated financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

MANAGEMENT CONTRACTS

For the year ended 31 March 2019, other than the service contracts of the Directors, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

COMPETING BUSINESS INTERESTS OF DIRECTORS

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

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2019 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 41 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:

	2019 **HK$'000**	2018 HK$'000
Sale of fabric	**20,048**	26,182
Sale of dyed yarn	**–**	–

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

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

As at 31 March 2019, 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	1,712,340,667 Shares (L) (Notes 2 & 4)	–	33.06% (Notes 18)
	Victory City Company Limited ("VC Company") (Note 16)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	Victory City Overseas Limited ("VC Overseas") (Note 16)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
Chen Tien Tui	The Company	Founder of a trust	1,712,340,667 Shares (L) (Notes 3 & 4)	–	33.06% (Notes 18)
	The Company	Beneficial owner	5,490,000 Shares (L) (Note 5)	–	0.11%
	VC Company (Note 16)	Beneficial owner	4,000,000 non-voting deferred shares of HK$1.00 each (L)	–	50%
	VC Overseas (Note 16)	Beneficial owner	1,300 redeemable non-voting preference shares of US$1.00 each (L)	–	39.4%
Choi Lin Hung	The Company	Beneficial owner	19,125,000 Shares (L) (Note 6)	–	0.37%
	The Company	Beneficial owner	–	15,721,500 Shares (L) (Note 7)	0.30%
	VC Overseas (Note 16)	Beneficial owner	700 redeemable non-voting preference shares of US$1.00 each (L)	–	21.2%
	Sure Strategy Limited ("Sure Strategy") (Note 16)	Interest of controlled corporation	49 ordinary shares of US$1.00 each (L) (Note 8)	–	49%
	FG Holdings (Note 16)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 9)	–	100%
	FG International (Note 16)	Interest of controlled corporation	5,000,000 ordinary shares of HK$1.00 each (L) (Note 15)	–	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate % of the relevant class of issued share capital of the Company/ associated corporation
	福之源貿易(上海)有限公司 (Note 16)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 10)	–	100%
	Rocwide Limited (Note 16)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 15)	–	100%
	Jiangmen V-Apparel Manufacturing Ltd. (Note 16)	Interest of controlled corporation	Registered capital of HK$31,260,000 (L) (Note 11)	–	100%
	One Sino Limited (Note 16)	Interest of controlled corporation	100 ordinary shares of US$1.00 each (L) (Note 15)	–	100%
	Ford Glory (Cambodia) Manufacturing Limited (Note 16)	Interest of controlled corporation	Registered capital of US$1,000,000 (L) (Note 12)	–	100%
	Happy Noble Holdings Limited (Note 16)	Interest of controlled corporation	70 ordinary shares of US$1.00 each (L) (Note 15)	–	70%
	Sky Winner Investment Limited (Note 16)	Interest of controlled corporation	100 ordinary shares of HK$1.00 each (L) (Note 13)	–	100%
	Mayer Apparel Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of HK$1.00 each (L) (Note 15)	–	51%
	Talent Partner Holdings Limited (Note 16)	Interest of controlled corporation	51 ordinary shares of US$1.00 each (L) (Note 15)	–	51%
	Green Expert Global Limited (Note 16)	Interest of controlled corporation	1 ordinary share of US$1.00 each (L) (Note 14)	–	100%
	Major Time Limited (Note 16)	Interest of controlled corporation	1 ordinary share of HK$1.00 each (L) (Note 14)	–	100%
	Brilliant Fashion Inc. (Note 16)	Interest of controlled corporation	100 common shares of no par value (L) (Note 15)	–	100%
	Gojifashion Inc. (Note 17)	Interest of controlled corporation	100 common shares of no par value (L) (Note 15)	–	50%
	Just Perfect Holdings Limited (Note 16)	Interest of controlled corporation	10 ordinary shares of US$1.00 each (L) (Note 15)	–	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 16)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 15)	–	100%
Phaisalakani Vichai	The Company	Beneficial owner	2,000,000 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, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members. These Shares include (i) 697,116,000 Shares held by Pearl Garden; (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the HK$400,000,000 five per cent. convertible bonds due 2019 (the "Convertible Bonds") issued to Pearl Garden on 22 September 2017 at an initial conversion price of HK$0.30 per conversion Share; and (iii) 348,558,000 Rights Shares which Pearl Garden has irrevocably undertaken to subscribe pursuant to the irrevocable undertakings dated 19 February 2019 (the "Irrevocable Undertakings") and executed by Pearl Garden, Madian Star Limited ("Madian Star"), Mr. Chen Tien Tui and Mr. Choi Lin Hung.

3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members. These Shares include (i) 697,116,000 Shares held by Madian Star; (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Madian Star on 22 September 2017 at an initial conversion price of HK$0.30 per conversion Share; and (iii) 348,558,000 Rights Shares which Madian Star has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

4. On 22 September 2017, the Company issued the Convertible Bonds to each of Pearl Garden and Madian Star with a principal sum of HK$200,000,000 and HK$200,000,000 respectively for a term of two years. Each of Pearl Garden and Madian Star has the right to convert its portion of the Convertible Bonds for 666,666,667 Shares at an initial conversion price for HK$0.30 per conversion Share upon full exercise of its conversion rights.

5. These Shares include (i) 3,660,000 Shares beneficially owned by Mr. Chen Tien Tui; and (ii) 1,830,000 Rights Shares which Mr. Chen Tien Tui has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

6. These Shares include (i) 12,750,000 Shares beneficially owned by Mr. Choi Lin Hung; and (ii) 6,375,000 Rights Shares which Mr. Choi Lin Hung has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

7. On 12 October 2016, Mr. Choi Lin Hung was granted 15,000,000 options under the share option scheme of the Company to subscribe for 15,000,000 Shares, exercisable at a price of HK$0.391 per Share during a period from 12 October 2016 to 11 October 2021. Upon completion of the rights issue on 6 January 2017, the number of options owned by Mr. Choi Lin Hung was adjusted to 15,721,500 to subscribe for 15,721,500 Shares, exercisable at an adjusted price of HK$0.373 per Share during a period from 12 October 2016 to 11 October 2021.

Notes: (continued)

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

9. These shares were held by Sure Strategy.

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

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

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

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

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

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

16. These companies are subsidiaries of the Company.

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

18. Mr. Li Ming Hung and Mr. Chen Tien Tui aggregately held over 20% 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 2019, 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 2019, 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	1,712,340,667 (L)	Beneficial owner (Note 2)	33.06%
Cornice Worldwide Limited	1,712,340,667 (L)	Interest of controlled corporation (Note 2)	33.06%
Madian Star	1,712,340,667 (L)	Beneficial owner (Note 3)	33.06%
Yonice Limited	1,712,340,667 (L)	Interest of controlled corporation (Note 3)	33.06%
Fiducia Suisse SA	3,424,681,334 (L)	Trustee (Notes 2 and 3)	66.12%
Mr. David Henry Christopher Hill	3,424,681,334 (L)	Interest of controlled corporation (Note 6)	66.12%
Ms. Rebecca Ann Hill	3,424,681,334 (L)	Interest of spouse (Note 7)	66.12%
Ms. Ho Yuen Mui Shirley	1,712,340,667 (L)	Interest of spouse (Note 4)	33.06%
Ms. Or Kwai Ying	1,717,830,667 (L)	Interest of spouse (Note 5)	33.17%
Get Nice Securities Limited	1,884,385,603 (L)	Underwriter (Notes 8 and 9)	24.25%
Get Nice Financial Group Limited	1,884,385,603 (L)	Interest of controlled corporation (Notes 8 and 9)	24.25%
Get Nice Incorporated	1,884,385,603 (L)	Interest of controlled corporation (Notes 8 and 9)	24.25%
Get Nice Holdings Limited	1,884,385,603 (L)	Interest of controlled corporation (Notes 8 and 9)	24.25%

Notes:

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

2. These Shares were held by Pearl Garden. Pearl Garden is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members. Mr. Chen Tien Tui is a director of each of Pearl Garden and Cornice Worldwide Limited. These Shares include (i) 697,116,000 Shares held by Pearl Garden; (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Pearl Garden on 22 September 2017 at an initial conversion price of HK$0.30 per conversion Share; and (iii) 348,558,000 Rights Shares which Pearl Garden has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

3. These Shares were held by Madian Star. Madian Star is wholly owned by Yonice Limited, the entire issued share capital of which is held by Fiducia Suisse SA as discretionary trustee for Mr. Chen Tien Tui's family members. Mr. Li Ming Hung is a director of each of Madian Star and Yonice Limited. These Shares include (i) 697,116,000 Shares held by Madian Star; (ii) 666,666,667 Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds issued to Madian Star on 22 September 2017 at an initial conversion price of HK$0.30 per conversion Share; and (iii) 348,558,000 Rights Shares which Madian Star has irrevocably undertaken to subscribe pursuant to the Irrevocable Undertakings.

4. Ms. Ho Yuen Mui Shirley is the wife of Mr. Li Ming Hung.

5. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui.

6. These Shares were held by Fiducia Suisse SA as discretionary trustee for Mr. Li Ming Hung's family members and Mr. Chen Tien Tui's family members. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher Hill.

7. Ms. Rebecca Ann Hill is the wife of Mr. David Henry Christopher Hill.

8. These Shares were the Rights Shares to be underwritten by Get Nice Securities Limited pursuant to the underwriting agreement entered into between the Company and Get Nice Securities Limited dated 19 February 2019. The interests are based on the Rights Issue has completed.

9. Get Nice Securities Limited is wholly owned by Get Nice Incorporated, which is in turn wholly owned by Get Nice Financial Group Limited, which in turn is owned as to 72.99% by Get Nice Holdings Limited, a company incorporated in the Cayman Islands with limited liability which shares are listed on the Main Board of the Stock Exchange (stock code: 0064).

Save as disclosed above, so far as is known to the Directors, as at 31 March 2019, 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 37 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

ISSUE FOR CASH OF EQUITY SECURITIES

For the year ended 31 March 2019, the Company announced to conduct a rights issue on the basis of one rights Share for every two Shares held on 15 March 2019, which was completed on 18 April 2019, the details of which are as follows:

Date of announcement/ prospectus	Event	Net proceeds and net price (approximate)	Closing price on the date of signing of the agreement	Intended use of proceeds as announced	Actual use of proceeds
19 February 2019, 13 March 2019, 26 March 2019 and 17 April 2019	Rights Issue	HK$249.3 million and HK$0.096 per Share	HK$0.115	(i) Approximately HK$100 million for construction of new electron beam wastewater treatment facilities;	(i) Approximately HK$40 million had been used for construction of new electron beam wastewater treatment facilities;
				(ii) approximately HK$70 million for construction of a new boiler; and	(ii) approximately HK$70 million had been used for construction of a new boiler; and
				(iii) approximately HK$79.3 million as general working capital	(iii) approximately HK$79.3 million had been used as general working capital

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

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

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

Save as disclosed above, as at 31 March 2019, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2019.

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

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

Customers

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

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

Suppliers

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

AUDITOR

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

On behalf of the Board

Li Ming Hung
Chairman

Hong Kong
27 June 2019

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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Upon receiving specific enquiries from the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2019.

BOARD OF DIRECTORS

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

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

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

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

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

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

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the Directors has full access to relevant information at the meetings. The Board had four regular Board meetings during the year ended 31 March 2019 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 2020;

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

(d) reviewed the continuing connected transactions; and

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

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

Corporate governance functions

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

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

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

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

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

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

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

Chairman and Chief Executive

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

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

Terms of Appointment of Independent Non-executive Directors

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

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

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

BOARD COMMITTEES

The Board has established three board committees including the nomination committee (the "Nomination Committee"), the Remuneration Committee and the audit committee (the "Audit Committee") (collectively, the "Board Committees") of the Company. Each of these Board Committees has specific written terms of reference have been published on the Stock Exchange's website and the Company's website (www.victorycity.com.hk). Attendance records of each

Board Committees with individual member's attendance are set out in the paragraph headed "Number of Meetings and Director's Attendance" below. The Board has delegated some of its functions to the Board Committees, the details of which are discussed below.

Nomination Committee

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

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

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

One meeting of the Nomination Committee was held during the year ended 31 March 2019 to make recommendations on the re-election of Mr. Li Ming Hung, Mr. Lee Yuen Chiu Andy and Mr. Kwok Sze Chi as Directors proposed for Shareholders' approval in the last AGM held on 30 August 2018.

Board Diversity Policy

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

Nomination policy

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

1. *Purpose*

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

2. *Selection criteria*

The selection criteria specified in the Nomination Policy include:

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

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

3. *Nomination procedures*

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

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

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

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

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

4. *Review of the Nomination Policy*

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

Remuneration Committee

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

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

Pursuant to Code Provision B.1.5, the remuneration of the members of the senior management by band for the year ended 31 March 2019 is set out below:

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

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

No Director takes part in any discussions and decisions about his own remuneration. During the year ended 31 March 2019, the Remuneration Committee has convened one meeting to review the salary of the employees of the Company and its subsidiaries and the executive Directors.

Audit Committee

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

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

During the year ended 31 March 2019, the Audit Committee held two meetings and performed duties summarised below:

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

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

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

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

(e) review the effectiveness of internal audit functions.

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

Dividend Policy

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

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

— the requirements of the Company's constitutional documents;

— the solvency requirements of the laws of Bermuda;

— there being sufficient amount of retained profits and share premium of the Company for the dividend payment;

— the earnings, financial position, results of operation, expansion plans, working capital requirements, and anticipated cash needs of the Company and its subsidiaries; and

— other factors which the Board may deem appropriate.

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at regular Board meetings ("BM"), Audit Committee meetings ("ACM"), Remuneration Committee meeting ("RCM"), Nomination Committee meeting ("NCM"), AGM held during the year ended 31 March 2019 are set out below:

	Number of meetings attended/held during the year ended 31 March 2019				
	BM	**ACM**	**RCM**	**NCM**	**AGM**
Executive Directors					
Mr. Li Ming Hung *(Chairman)*	4/4	—	1/1	1/1	1/1
Mr. Chen Tien Tui *(Chief Executive Officer)*	4/4	—	1/1	—	1/1
Mr. Lee Yuen Chiu Andy	4/4	—	—	—	1/1
Mr. Choi Lin Hung	4/4	—	—	—	1/1
Independent Non-Executive Directors					
Mr. Kan Ka Hon	4/4	2/2	1/1	1/1	1/1
Mr. Phaisalakani Vichai	4/4	2/2	1/1	1/1	1/1
Mr. Kwok Sze Chi	4/4	2/2	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 2019, the Board conducted an annual review of the Group's internal control systems, including financial, operational and compliance controls and risk management functions.

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

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

(b) process to identify and manage significant risks and material internal control defects — Significant risks or internal control defects identified by the management during the ordinary business operation of the Group will be reported to the Board as soon as practicable for further evaluating and management. A Board meeting will be held to conduct review and evaluation on the significant risks or internal control defects and appropriate actions will be taken to control the risks or to improve the internal control defects. For the year ended 31 March 2019, no significant risks, or material internal control failings or weaknesses have been identified by the Board or the management;

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

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

The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems and the internal audit functions for the year ended 31 March 2019. The Board considers that such systems and functions are effective and adequate.

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

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

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

COMPANY SECRETARY

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

According to Rule 3.29 of the Listing Rule, Mr. Lee Chung Shing has taken no less than 15 hours of the relevant professional training during the year ended 31 March 2019.

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$3,000,000 for the Group;

Non-audit services of approximately HK$902,500 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 2019, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHAREHOLDERS' RIGHTS

Convening a special general meeting on requisition

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

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

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

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

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

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

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

Procedures for raising enquiries

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

Tricor Secretaries Limited

Address:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (With effect from 11 July 2019, Tricor Secretaries Limited change its address to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong)
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2861 1465

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

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

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

Procedures for putting forward proposals at general meeting

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

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

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

   (b) not less than one hundred Shareholders.

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

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

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

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

INVESTOR RELATIONS

There was no change in the Company's constitutional documents during the year ended 31 March 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The core businesses of the Group are textile and garment production. As a leading knitted fabric producer and supplier in the PRC, the Group adheres to a sustainable ESG management approach and pledges to deal with its ESG affairs effectively and responsibly. We believe that these undertakings are the keys to our perpetual success in the future, and have integrated them into our business strategies.

ESG MANAGEMENT STRUCTURE

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

REPORTING SCOPE

Since most of the Group's production and operational activities are conducted in mainland China, this Report focuses on the core businesses of the Group and its subsidiaries therein. During the year ended 31 March 2019, we had a total of 4,500 employees in mainland China, representing 78.19% of the total workforce of the Group. This total head count in mainland China has been used to calculate intensity. Unless otherwise stated, our key ESG performance indicator ("KPI") data were collected from the operational control system of the Group. We will continue to extend the scope of disclosure in the future as our data collection systems mature and our sustainable development measures expand.

REPORTING FRAMEWORK

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

REPORTING PERIOD

This Report presents the Group's ESG actions, challenges and measures for the year ended 31 March 2019 (the "Reporting Period").

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

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

Through the following stakeholders' engagement and communication channels, we incorporate the expectations of our stakeholders into our operational and ESG strategies:

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

We constantly strive to improve the Group's ESG performance and add value to the nation and communities by collaboration with our stakeholders.

MATERIALITY ASSESSMENT

The management and employees of all major departments of the Group have made contribution to the preparation of the ESG Report by helping us review our operation, identify ESG-related issues, and assess the materiality of such issues to our business and the stakeholders. To assess ESG issues, the Group collected data from relevant departments and business units by means of questionnaires.

The following table summarises ESG issues that are material to the Group and set out in this Report:

Reference to the ESG Reporting Guide	Material ESG Issues
A. Environmental	
A1. Emissions	• Air emissions • Discharges into water • Greenhouse gas emissions • Hazardous waste • Non-hazardous waste • Management of paper consumption in office
A2. Use of Resources	• Use of energy • Use of water • Use of packaging materials
A3. The Environment and Natural Resources	• Impacts of construction projects on the environment • Noise control
B. Social	
B1. Employment	• Compensation and benefits • Recruitment, promotion and dismissal • Equal opportunities • Staff communication
B2. Health and Safety	• Safety production management system • Staff health management • Occupational safety training
B3. Development and Training	• Training management • Training programmes
B4. Labour Standards	• Prevention of child and forced labour
B5. Supply Chain Management	• Supplier assessment and green procurement • Fair and transparent procurement
B6. Product Responsibility	• Product quality • Customer services • Intellectual property rights management
B7. Anti-corruption	• Anti-corruption
B8. Community Investment	• Community and charity

The Group confirmed that it had implemented appropriate and effective ESG management policies and control systems during the Reporting Period, and that the disclosures herein conform to the requirements of the ESG Reporting Guide.

CONTACT WITH US

We welcome all opinions and suggestions from our stakeholders. Please send us your valuable opinions about the ESG Report or our sustainability performance by email at info@victorycity.com.hk.

A. ENVIRONMENTAL

A1 Emissions

The Group attaches great importance to environmental protection and sustainable development. It strictly complies with environmental laws and regulations promulgated by national and local environmental protection authorities, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on Promoting Clean Production (《中華人民共和國清潔生產促進法》) and other regulations on the prevention and control of effluent, emissions and industrial pollution.

The Group emphasises the establishment of environmental protection management systems, and has formulated related systems and procedures such as the Environmental Protection Management System (《環保管理制度》), the Pollution Control Management System (《污染治理管理制度》) and the Solid Waste Management System (《固體廢物管理制度》) to regulate effluent, emissions and waste generated during the production process. To achieve energy conservation, pollution control and better efficiency, it continuously complies with environmental laws and regulations promulgated by national and local environmental protection authorities, improves its management systems and policies, and monitors and controls emissions from its operation.

The Group's environmental protection management systems and policies require the use of sewage treatment equipment that meets national standards during the production of garment products so as to ensure that its effluent is discharged to the sewer system after proper treatment. It also ensures that there is no other sewage outfall in order to fulfil the requirement to centralise discharge. The Solid Waste Management System prohibits unauthorised storage of solid waste and requires the collection of solid waste by qualified service providers for recycling and reuse. The Group closely monitors and regularly inspects all air emission sources (such as power generators and production machinery). Low-sulphur coal and pollutant collecting equipment are also used to reduce direct emission of pollutants into the atmosphere.

The Group vigorously promotes energy-saving and emission-reducing initiatives during its operation and continuously enlarges environmental protection investment in order to cut emissions. Through the use of clean energy sources and several other measures, the Group curbs the generation of air pollutants at source and prevents environmental pollution. The Group also engages third-party professional manufacturer institutions to conduct annual test on its emissions so as to ensure compliance with the requirements of the relevant laws and regulations.

The Group has installed the latest online emission and effluent monitoring equipment to carry out real-time monitoring of emissions and effluent from its boilers and sewage treatment plant. Technicians work shifts to conduct round-the-clock analysis of the real-time emission and effluent data and take timely measures to eliminate non-compliant discharge.

We also have great concern about the effectiveness of our environmental protection equipment, and constantly enhance our effluent, emissions and waste disposal and management capacity. To guarantee consistent implementation, we have designated employees to oversee environmental issues across the Group, and all departments, including but not limited to equipment and technical service, production, technology, finance, human resource, security, and quality control departments, are required to assist them and faithfully implement environmental protection initiatives within their scopes of operation. The designated environmental protection staff organises regular major environmental protection conferences and internal control meetings in order to listen to the environmental protection working reports and formulate timely solutions to major environmental issues, including but not limited to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

To ensure the fulfilment of our responsibility to protect the environment, our subsidiaries have devised self-monitoring plans against pollution in accordance with national and local environmental laws, regulations and environmental monitoring technical requirements as well as our practical needs. Pursuant to these plans, self-monitoring activities are standardised to keep track of pollutant emissions and their impact on our surrounding environment.

The Group has also developed an emergency handling plan to bring handling procedures into line and strengthen them in case of environmental accidents. This plan focuses on prevention and sets out comprehensive alert, handling and follow-up mechanism in case of environmental accidents.

After proactively adopting high-efficiency, low-input, low-consumption and low-emission clean production technique in 2008, we have achieved a win-win situation with the society as evidenced by the status as a “clean production enterprise in Guangdong Province (廣東省清潔生產企業)” in 2010 and the international certification of ISO14001 Environmental Management System obtained in January 2011.

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

Air emissions

Boilers of the power plants are the major sources of the Group’s air emissions. The Group stringently follows national environmental standards and compiles real-time emission data. The amount of air emissions from the boilers of the Group’s power plants for the Reporting Period was as follows:

Type of discharge	Unit	Amount 2019	Amount 2018
Nitrogen oxide (NOx)	Tonnes	**135**	282
Sulphur oxide (SOx)	Tonnes	**49**	99
Smoke particles	Tonnes	**12**	35

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

The Group's thermoelectric boilers use quality coal with low ash content and low sulphur content of below 0.6% with the aim of further reducing sulphur oxide emission. These measures together reduced sulphur oxide and smoke particles in our exhaust by 15% and 20%, respectively.

Discharges into water

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

Type of discharge	Unit	Amount 2019	Amount 2018	Intensity (Total discharge per employee) 2019	Intensity (Total discharge per employee) 2018
Effluent	Tonnes	**2,488,216**	2,630,339	**552.94**	584.52

The Group has formulated various measures that focus on the reduction of effluent discharged. A deep sewage treatment and reclaimed water reuse system has been in use since its completion in 2007. Domestic sewage and industrial effluents are pumped to regulating tanks, where the quality and amount of effluent are regulated and preliminary precipitation is conducted, before being treated by the sewage treatment plant. Treated sewage is then sent to the reclaimed water reuse system to go through the reverse osmosis process, bringing it to the standards required for it to be reused in the dyeing process. The reclaimed water reuse system has a daily sewage treatment capacity of 30,000 tonnes and up to 80% of the sewage can be reused. The condensed sewage that has passed through the reverse osmosis process is discharged after going through biochemical treatment and meeting relevant discharge standards under the Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (《紡織染整工業水污染排放標準》). The whole sewage treatment plant has passed inspection and acceptance of qualified environmental protection facilities. It has been linked to the online automatic monitoring system of the Jiangmen Environmental Protection Bureau (江門環保局) and is under regular maintenance. Equipped with reverse osmosis membranes, the reclaimed water reuse system reduces the amount of our effluent by approximately 6 million tonnes per annum. The Group also switched to energy-saving dyeing vessels between 2014 and 2016 in order to further reduce the amount of water used and discharged in the dyeing process.

Greenhouse gas emissions

Greenhouse gas emissions of the Group mainly come from coal and natural gas used by the boilers of its power plants as well as diesel used by its machines. The amount of greenhouse gas emitted by the Group during the Reporting Period was as follows:

Type of discharge	Unit	Amount 2019	Amount 2018	Intensity (Total discharge per employee) 2019	Intensity (Total discharge per employee) 2018
Greenhouse gas	Tonnes	**518,389**	508,268	**115.20**	112.95

Note: Greenhouse gas emission data is presented in carbon dioxide equivalent with reference to, including but not limited to, the Greenhouse Gas Protocol jointly published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), the Reporting Guidance on Environmental KPIs published by the Stock Exchange and the latest Greenhouse gas reporting: conversion factors 2017 issued by the Department for Environment, Food & Rural Affairs (DERFA) of the British government. Information includes the greenhouse gas emissions within scope 1 and scope 2 as defined under the Greenhouse Gas Protocol.

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

Hazardous waste

Bottom ash from coal combustion and used engine oil are the major hazardous waste of the Group. The amount of hazardous waste generated during the Reporting Period was as follows:

Type of discharge	Unit	Amount 2019	Amount 2018	Intensity (Total discharge per employee) 2019	Intensity (Total discharge per employee) 2018
Bottom ash	Tonnes	**43,609**	42,560	**9.69**	9.46
Used engine oil	Tonnes	**2**	1	**0.00044**	0.00025

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

Non-hazardous waste

The major types of non-hazardous waste of the Group are ordinary office waste and miscellaneous production waste. The estimated amount of ordinary waste generated by the Group during the Reporting Period was approximately 1,405.26 tonnes (2018: approximately 1,431.67 tonnes).

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

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

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

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

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

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

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

Management of paper consumption in office

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

A2 Use of Resources

With the goals of conserving energy, reducing consumption and achieving sustainable production, the Group places a lot of emphasis on energy conservation and consumption reduction. It has deployed a comprehensive energy management system, under which the Energy Purchasing and Approval Management Policy (《能源採購和審批管理制度》), Energy Financial Management Policy (《能源財務管理制度》), Energy Production Management Policy (《能源生產管理制度》), Energy Statistics Measurement Policy (《能源計量統計制度》), Energy Measuring Instrument Management Policy (《能源計量器具管理制度》) and other energy management policies and measures are established and implemented by professional energy management departments and functions.

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

To achieve high energy efficiency, the Group has established an effective energy surveillance and assessment system with a corresponding management structure. Through consistent energy surveillance and assessment, energy waste is stamped out by monitoring major energy-consuming equipment as well as analysing and managing the power consumption of each department. To raise the energy-saving awareness of its employees, the Group also vigorously promotes its energy-saving and consumption-reducing initiatives, and praises and awards business units and individuals who have outstanding energy-saving results, in its internal publications and noticeboards.

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

Use of energy

In the Group's daily operation, the major sources of energy consumption are gasoline and diesel consumed by the transportation as well as electricity consumed operation and coal used. The total amount of energy consumed by the Group during the Reporting Period was as follows:

Type of energy	Unit	Amount 2019	Amount 2018	Intensity (Total consumption per employee) 2019	Intensity (Total consumption per employee) 2018
Coal	Tonnes	**225,563**	221,656	**50.13**	49.26
Diesel	Tonnes	**261**	289	**0.058**	0.064
Natural gas	Cubic metres	**5,373,198**	4,711,239	**1194.04**	1046.94

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

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

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

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

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

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

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

- Select energy-saving equipment, appliances and lighting for production, office and daily uses;

- Eliminate idling of equipment and unreasonable power distribution layout;

- Regulate the use of electrical appliances such as lighting, air-conditioners and fans by employees during office hours and encourage employees to shut them down when they are idling and before close of business; and

- Enhance maintenance, checking and repair of equipment so as to ensure best performance and efficient use of electricity.

Use of water

During the Reporting Period, our water consumption in total was approximately 10,053,301 tonnes (2018: approximately 10,109,787 tonnes) and the intensity of consumption per employee was approximately 2,234.07 tonnes (2018: approximately 2,246.62 tonnes).

Water used by the Group is mainly for daily use in offices and industrial use during the production process. Details of how the Group treats industrial effluent are described in "Discharges into Water" in section A1.

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

- Inspect covered pipelines regularly by professionals of its subsidiaries in order to prevent leakage due to broken pipelines;

- Encourage all employees and customers to take proactive water-saving initiatives, advocate saving water, post water-saving slogans and teach employees how to use water in a reasonable manner;

- Enhance the capacity of the sewage treatment plant and reclaimed water reuse system; and

- Reuse reclaimed water in the production process to reduce the consumption of water. This project saves water and enhances resource efficiency by effectively recovering cooling water and reusing such water after it has fully cooled down.

Use of packaging materials

During the Reporting Period, total consumption of plastic bag, which is the major packaging material used by the Group, was approximately 309.13 tonnes (2018: approximately 502.35 tonnes). To reduce the use of plastic bags, we have improved our packaging process.

A3 The Environment and Natural Resources

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

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

Impacts of construction projects on the environment

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

Noise control

To comply with the industrial standards for noise pollution and minimise the impact of its noise, the subsidiaries of the Company have also taken noise-control measures on their equipment that makes high level of noise.

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

B. SOCIAL

B1 Employment

Employees are the most important and valuable assets and core competitive strength of the Group. As such, the success of the Group relies heavily on its ability to attract, nurture and retain employees. The Group is committed to people-oriented management and pays regard to the legal rights of its staff. A Staff Handbook (《員工手冊》) is compiled in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) (the "Labour Law") and relevant laws and regulations. This handbook covers structures and systems in relation to staff recruitment, execution and termination of labour contracts, attendance, rest periods, dismissal, wages, compensation, insurance, benefits, incentive mechanism and so on. All these structures and systems are legally devised and implemented under the supervision and approval of staff representatives.

The Group zealously complies with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (the "Labour Contract Law") and other laws and regulations. A series of human resource management policies were formulated accordingly with a view to creating a healthy, positive and motivating work environment that integrates the employees' personal goals into the Group's long-term development.

The Group was not aware of any material non-compliance with any employment laws and regulations during the Reporting Period.

Compensation and benefits

The Group has a relatively fair, consistent, reasonable and competitive remuneration system in place. It compensates its employees based on fair, competitive, motivating, reasonable and lawful principles. Remuneration of the Group's employees comprises basic salary, performance-based compensation, overtime allowance, position-based allowances, relevant subsidies and other bonuses. The Group maintains a remuneration system based on position, performance, contribution and capability in reference to market rates with a unified salary scale for each position. It also appraises and sets salary of its employees with reference to their duties, overall personal capability (such as work experience, academic background and qualifications), individual performance and merit. Furthermore, the Group evaluates changes in macro-economic factors such as national policies and price indices, industry and local salary levels, as well as its own development strategies and overall performance and makes corresponding adjustment to employees' remuneration, discretionary bonuses and other performance-based rewards each year.

The Group has entered into lawful labour contracts with 100% of its employees and honours these contracts in accordance with the Labour Contract Law. To ensure social security for its employees, it pays all required "five insurance and one provident fund", namely endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund.

The Group unswervingly safeguards labourers' legal rights in accordance with the Labour Law and other national and local laws and regulations. It respects the right of its employees to enjoy rest and holidays, and has standardised their working hours and entitlement to rest time and period. We offer paid annual leave and overtime payment for service beyond statutory working hours according to the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) and other relevant regulations. Our staff also enjoys public holidays, casual leave, sick leave, work-related injury leave, maternity leave, annual leave and other paid leaves.

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

- Transportation for employees in need of family reunion before Chinese New Year;

- Family leaves such as marriage leave and maternity leave for employees to spend joyful time with their families; and
- Festive foods, including moon cake and rice dumpling, at traditional festivals such as Chinese New Year and Mid-Autumn Festival to give thanks for their contributions to the Group and hard work.

Recruitment, promotion and dismissal

The Group persistently maintains and perfects its talent recruitment and selection systems. Recruitment procedures and criteria are standardised. To constantly attract and recruit outstanding talent, all recruitments are impartially, fairly, objectively and openly made based on integrity, academic background, capability, experience and physical fitness. To strive for and nurture professional talent and build up its pool of talent, the Group also maintains long-term talent exchange and cooperation programmes with some nearby universities and academic institutions.

The Group applies delicacy management to the recruitment of front-line operators and office staff. Clear guidelines and systematic procedures for the promotion, transfer, demotion and dismissal of employee are in place to protect the interests of both the employees and the Company.

The Group has set up a fair and open assessment system that offers promotion and development opportunities to the employees according to their performance and results of the internal assessment. It has built up a reserve talent pool to arrange specific training and leadership training for major training targets so as to optimise internal human resource deployment, offer more career development opportunities and platforms for employees while facilitating its own sustainable development. Under this system, the Group gives priority to existing employees who have made contribution to the Group in case of filling casual vacancy.

Equal opportunities

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

Staff communication

The Group also persistently improves staff democracy mainly by way of staff representative conference. By setting up labour unions at different levels, it uses different means to satisfy requests from the staff, resolve internal disagreements and protect the right of the staff to participate, know and supervise.

B2 Health and Safety

As human resources are important assets of the Group, it is devoted to the occupational health and production safety of the employees. Upholding a safety-first production approach, it has actively taken systematic production safety measures and established a systematic and people-oriented production safety management system to strive for a safe, healthy work and living environment without potential health and safety hazard for its staff. We strictly observe the Labour Law, the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Fire Control Law of the People's Republic of China (《中華人民共和國消防法》) and other relevant laws and regulations.

During the Reporting Period, the Group did not record any accident that results in any fatality or grievous bodily harm nor any claim made by or compensation paid to its employees. The Group was also not aware of any material non-compliance with any labour health and safety laws and regulations during the Reporting Period.

Safety production management system

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

The Group has laid down relevant systems to set out the safety requirements for the storage, use, transportation, disposal and other handling procedures of dangerous chemicals in order to strengthen safety management and thus safeguard the staff, its property and the environment. To ensure safe operation of its facilities and equipment that are legal, safe, reliable, economic and efficient, and for the sake of systematised, standardised, regularised and scientific equipment safety management, the Group has also built up systems to regulate the operation of special equipment.

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

Staff health management

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

Occupational safety training

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

Posters and reminders are posted at appropriate locations to remind employees to check their safety gears. The Group encourages its staff to raise suggestions in respect of work safety to the management with the aim of improving workplace safety and reducing the number of accidents. The Staff Handbook also sets out occupational safety policies and procedures in detail for all departments to study.

In addition, a fire safety system has been drawn in accordance with the Fire Control Law of the People's Republic of China and the Provisions on the Supervision and Administration of Fire Protection of Construction Projects (《建設工程消防監督管理規定》), under which the Group conducts fire drills to strengthen the fire alert of the entire staff while improving its fire evacuation plan. Furthermore, we also have first-aid kits and fire extinguishers installed in our workplaces for use in case of emergency.

B3 Development and Training

The Group pays much attention to the establishment of internal corporate management training and development system. A varied training structure comprising induction, management, technical, orientation and other forms of training has been set up to meet the needs of employees at each level and position, enhance employees' skills, advocate the Group's corporate values and introduce good ethics and professional knowledge, thereby fostering employees' personal growth and development while fuelling the Group's sustainable development. We believe that with such training, the staff can have their questions answered, perform their duties in a practical manner, enhance their professional knowledge and practical skills, and apply these knowledge and skills to their job.

Training management

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

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

Training programmes

The Group provides intensive training on production method, safety operation procedures and codes to new production staff members with focused training on their respective duties. In addition, the employees are expected to be well versed in the latest guidelines issued by the Company and regularly update their relevant qualifications, certifications or licenses. During the current year, the staff participated in diverse training that covers a wide range of topics, ranging from operational systems, occupational safety, ethics, operational skills and environmental protection to duties and authorities. On the other hand, we collect feedback and suggestions from the participants with the aim of improving the quality and effectiveness of our training.

Meanwhile, various departments of the Group also run mentorship programmes to assist new employees by way of sharing, help and guidance. Such on-the-job training provides answer to employees' questions, assists the performance of their duties and helps them enhance their professional knowledge and practical skills in a pragmatic way.

As for the future management talent, we also offer management-related training courses regarding management concepts, communication skills, stress management, effective meeting, team-building and so on.

The Group also highly values the role of occupational safety training in safeguarding the lives of its employees. Details of the relevant policies are described in "Occupational safety training" under section B2.

B4 Labour Standards

Prevention of child and forced labour

The Group complies with the Labour Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour of the People's Republic of China (《中華人民共和國禁止使用童工規定》) promulgated on and effective from 1 December 2002 with respect to the employment of youths under 16 years of age and their legal rights.

It strictly prohibits the use of any child and forced labour by its mainland China operations. The Group demands all new employees to provide true and accurate personal information when they join the Group for the recruitment staff to stringently verify their information including, among other things, body check results, academic certificates, identity card and hometown information. Identity card readers are installed in accordance with the requirements of local law enforcement agencies to verify the identity of all new staff members. The Group has a comprehensive recruitment process in place to conduct background check against every candidate, as well as a formal reporting process to handle any exceptional cases. It also conducts regular reviews and checks to guard against child or forced labour in its operation. The probationary period or labour contract of any employee who uses false information or breaches the Group's regulations will be terminated immediately.

Furthermore, employees of the Group work overtime on a voluntary basis to prevent any breach of labour standards and duly protect employees' rights. The Group also prohibits any punishments, management methods and behaviours involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment (including inappropriate languages, postures and physical contact), etc. against its employees for any reason.

At the same time, the Group also avoids using the administrative supplies and services of those vendors and contractors whose use of child or forced labour is known.

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

B5 Supply Chain Management

In addition to required specifications, raw material prices trend and product demand, the Group also places high importance on the management of potential environmental and social risks of its supply chain when it procures raw materials. It has established a stringent and standardised procurement system and a supplier selection process which also take environmental and social risk control of suppliers into account.

Supplier assessment and green procurement

Supply chain management has always been a key element of the Group's quality control system. Insisting on quality, the Group selects and manages its suppliers according to the relevant regulations.

"Green procurement" is an indispensible consideration of the Group's procurement activities. Green procurement means adopting environmental-friendly and low-carbon practices, advocating environmental protection, resource conservation, health and safety and recycling, and giving priority to energy-, water- and resource-saving green raw materials, products and services in procurement activities. While selecting suppliers, not only do we closely inspect the quality of their products, but we also consider environmental-friendliness and performance. For instance, we prohibit the procurement of materials with substance restricted by the government or harmful to the environment and physical health. Suppliers should consider the environment, use clean production method to provide services or products and observe environmental requirements in terms of emissions. Meanwhile, the Group gives priority to energy-saving materials to achieve better environmental standards provided that they are environmental-friendly, resource-saving, energy-saving, safe and healthy.

We have laid down environmental, social and ethical regulations that require suppliers to make positive impact on the environment and the society. In addition, the Group regularly conducts rigorous examination and assessment against all suppliers. Failed suppliers are disqualified. Only those passing such examination and assessment continued to be on the "qualified supplier list" and they are appraised on a regular basis. The Group only enters into contracts and makes procurement from suppliers on the list according to its needs.

Fair and transparent procurement

In strict compliance with the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and other regulations, the Group makes procurement on an open, fair and impartial basis without any discrimination against any particular supplier nor corruption and bribery. Employees and any party related to the relevant supplier are forbidden to take part in the subject procurement. The Group stresses the integrity of its suppliers and business partners. We only select suppliers and business partners with good business track records and no material non-compliances or unethical behaviours.

The Group has implemented a series of systematic multi-level approval procedures to manage any potential conflict of interest during its procurement process. We use checks and balances in our procurement process that prevents excessive power, control or influence of any particular person or department over the process and thus minimises the risk of corruption and abuse of power. Before entering into any business relationship with any new supplier, the Group conducts due diligence to obtain information about its background and relationship with the Group. It requires the suppliers to agree to the anti-bribery and anti-corruption provisions of our supply agreements.

B6 Product Responsibility

The Group places high importance on product quality and safety. All products are produced and inspected according to relevant international standards. We actively safeguard the quality of our products with our internal control. We also maintain constant communication with our customers to ensure understanding and satisfaction of their demand and expectations, as well as to constantly improve our products by knowing their satisfactory rates. We zealously complies with laws and regulations in relation to consumers' rights such as the Law of the People's Republic of China on Protection of Consumer Rights (《中華人民共和國消費者權益保護法》) and the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》).

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to product and service quality.

Product quality

The Group controls its entire production process in close compliance with the requirement of ISO9001 with quality control over raw materials, packaging materials, work in progress and finished products to fulfil relevant standards and requirements. At the same time, the Group has a comprehensive quality assurance system in place and has established relevant mechanism to regulate inspection and acceptance procedures and requirements to guarantee the quality and safety of its products as well as the interest of the Company and the staff's awareness about quality.

Furthermore, we welcome our customers to inspect and audit our entire production process according to their requirements. Such inspections and audits cover, among other things, plants and equipment, production management, materials and products, labelling, packaging, quality management and product delivery and recall. These arrangements warrant that our quality management system operates effectively to meet customers' requirements. To safeguard the quality of its products, the Group has also formulated reporting procedures for product responsibility incidents to make sure that such incidents are handled in a timely manner and that the potential risk thereof is effectively contained. Suggestions from customers for adjustments and improvements are also dealt with and replied to immediately.

Customer services

Handling Complaints

Customers can send us their complaints by mail, by phone or by hand. The Group has designated staff and system to record complaints and their solutions, all of which are kept in secret to protect the interests of all involved parties and ensure that the process of the complaint is fair and properly recorded. The Group has also set up a relevant function to handle complaints, explain the procedures to the customer, conduct comprehensive investigations and analysis, verify facts, actively supervise and manage complaint procedures, coordinate and communicate with all involved parties, keep confidential records of all results and properly reply the complainants. Once received, all complaints and suggestions will be directly handled and responded to by such function. We require all complaints to be duly reported and handled by such function to prevent unauthorised settlement between any staff members and customers.

The Group views the resolution of customers' complaints as a vital way to improve its product quality. Reports of complaints are reported to the senior management members on a regular basis for their review. We make every effort to identify the facts, circumstances and reasons of each customer's complaint, determine the responsible parties and possible improvements, and make recommendations and see to it that necessary improvements are implemented immediately by the relevant administrative or production departments.

Protection of Customers' Privacy

The Group accepts and obeys the laws and regulations of mainland China in relation to privacy. Accordingly, it has established systems, regulations and procedures to rigorously protect the privacy of its customers throughout its operation. At the same time, all employees in possession of customers' information must act in accordance with guidelines on handling personal information. Only authorised employees with proper approval have access to restricted information. Offenders are subject to disciplinary actions. Except required by the relevant laws and regulations, the Group will not disseminate or disclose any customer's information to any third parties without the authorisation of the relevant customer.

Intellectual property rights management

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

The Group's confidentiality system requires all employees and suppliers to enter into confidentiality agreements with the Group. The party to such agreements must keep relevant confidential information in secret and abide by an obligation to prevent leakage.

B7 Anti-corruption

The Group believes that an honest corporate culture is the key to our continued success, and thus we attach great importance to anti-corruption work and system building and commit ourselves to building an honest and transparent corporate culture. We strictly comply with the requirements under laws and regulations such as the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), and the Interim Provisions on Prohibiting Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》). We implement a zero-tolerance policy on the acceptance of bribery by our staff. Any employee found to violate our anti-corruption and bribery policies will be dismissed.

The Group was not aware of any material non-compliance with any laws and regulations in relation to the prevention of bribery, extortion, fraud and money laundering during the Reporting Period.

Internal control system

The Group has an internal audit function which is responsible for developing the overall framework of anti-bribery and anti-corruption policies and procedures, as well as guiding and monitoring the implementation of such policies and procedures in different aspects of the Group's operations. The subsidiaries of the Group will report, without delay, any suspected bribery and corruption to the Company's responsible officer, who will then carry out further investigation and determine appropriate course of action as and when necessary.

The Group places a great deal of importance on preventing bribery and corruption during the procurement process and has established relevant management protocol and systems, which are described in the section headed "Fair and transparent procurement" under Aspect B6.

Staff code

All forms of corruption are prohibited and, once discovered and proved to be true, shall be subject to severe punishment. The Group maintains a strict internal control system and has in place a staff code of conduct which states expressly that our staff must demonstrate good work ethics. All new members must complete induction training to familiarise themselves with the Group's expectations for work ethics. The details of the training include:

- All directors and employees should avoid conflict between personal interests and professional duties;
- Staffs are strictly prohibited from exercising authority, influencing decisions and actions or gaining access to corporate assets and information through their employment with the Group to achieve private or personal gain.
- Staffs must support and cooperate with the internal audit function in a proactive manner. Those who obstruct or interfere with the work of the internal audit function shall be subject to immediate dismissal;
- Neither the directors nor any of the staffs shall obtain benefits from or provide benefits to any customers, contractors, suppliers, or parties with business relationship with the Group; and
- Staffs who use their positions to engage in corrupt practices, misappropriate funds and accept bribery shall be subject to termination of employment and judiciary proceedings.

On the job, different departments provide internal training on anti-commercial bribery from time to time so as to enhance the staffs' awareness of work ethics.

Whistle-blowing

The Group has established a whistle-blowing mechanism comprising a report box and a report hotline through which all staffs and independent third parties (including, amongst others, customers and suppliers) who are in contact with the staffs can report any activities that are unethical or detrimental to the Group's interests. The department involved conducts investigation and gathers evidence while keeping the details of the report and the identity of the whistleblower confidential. Any material unlawful activity will be reported directly to law enforcement agencies. On the other hand, the whistle-blowing system protects the whistleblower from unfair treatment, such as unjustifiable dismissal or disciplinary actions, due to such report. The Group regularly reviews the effectiveness of internal control to prevent bribery, money laundering and other unethical activities.

B8 Community Investment

Community and charity

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

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

APPENDIX 27 TO THE MAIN BOARD LISTING RULES OF THE STOCK EXCHANGE OF HONG KONG LIMITED ESG REPORTING GUIDE CONTENT INDEX TABLE

Aspects, General Disclosures and KPIs	Description	Section/Statement	Page(s)
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions — Air emissions, Greenhouse gas emissions, Discharges into water, Hazardous waste, Non-hazardous waste	P. 46–52
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions — Air emissions, Greenhouse gas emissions, Discharges into water	P. 46–50
KPI A1.2 ("comply or explain")	Greenhouse gas emissions in total (in tonnes) and intensity.	Emissions — Greenhouse gas emissions	P. 50
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Hazardous waste	P. 50–51
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Non-hazardous waste	P. 51–52
KPI A1.5 ("comply or explain")	Description of measures to mitigate emissions and results achieved.	Emissions — Air emissions, Greenhouse gas emissions, Discharges into water	P. 46–50
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Hazardous waste, Non-hazardous waste	P. 50–52
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources — Use of energy, Use of water, Use of packaging material	P. 52–55
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Use of energy	P. 53–54
KPI A2.2 ("comply or explain")	Water consumption in total and Intensity.	Use of Resources — Use of water	P. 54–55
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Use of energy	P. 53–54
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Use of water	P. 54–55
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of packaging material	P. 55

Aspects, General Disclosures and KPIs	Description	Section/Statement	Page(s)
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources	P. 55–56
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Impacts of construction projects on the environment, Noise control	P. 55–56
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	P. 56–59
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	P. 59–61
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	P. 61–62
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	P. 62–63
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P. 63–64

Aspects, General Disclosures and KPIs	Description	Section/Statement	Page(s)
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	P. 65–67
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	P. 67–69
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	P. 69

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Victory City International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 176, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of trade receivables

We identified the impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial statements and the significant degree of management judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group on trade receivables at the end of the reporting period.

The Group recognises a loss allowance for ECL on trade receivables which are subject to impairment upon the adoption of Hong Kong Financial Reporting Standard 9 "Financial Instrument" ("HKFRS 9") in the current year. The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default which involves key estimates from management of the Group. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

The carrying amount of trade receivables amounted to approximately HK$1,842 million, net of allowance for ECL amounting to approximately HK$6 million recognised as at 31 March 2019. Referring to Note 4 to the consolidated financial statements, the Group estimates the ECL by using provision matrix which is based on the Group's historical default rates taking into consideration of forward-looking information that is reasonable and supportable available without undue costs or effort.

Our procedures in relation to the impairment assessment of trade receivables performed by management included:

- Understanding how the impairment loss of trade receivables has been estimated by management and the approval procedures for recognising the impairment loss on trade receivables;

- Assessing the reasonableness of the methods and assumptions used in the Group's ECL model based on our understanding on the Group's customer portfolio and discussion with management and the independent qualified professional valuer including:

  — the credit quality of the customers, such as any experience in default, delay in payments, aging analysis and historical settlement pattern; and

  — the provision rates, insurance recovery rate, internal credit ratings, historical default rates and forward-looking information.

- Evaluating the independent qualified professional valuer's competence, capabilities and objectivity.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**5,413,027**	4,960,298
Cost of sales		**(4,419,292)**	(4,091,893)
Gross profit		**993,735**	868,405
Other income		**82,774**	85,379
Other gains and losses	7	**(49,063)**	92,479
Distribution and selling expenses		**(94,777)**	(102,048)
General and administrative expenses		**(408,358)**	(403,099)
Finance costs	8	**(230,787)**	(192,537)
Profit before taxation		**293,524**	348,579
Income tax expense	9	**(22,017)**	(29,386)
Profit for the year	10	**271,507**	319,193
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(418,730)**	698,407
Reclassification of translation reserve upon disposal of a subsidiary		**(984)**	—
Fair value change of available-for-sale investments		**—**	321
		(419,714)	698,728
Items that will not be subsequently reclassified to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income		**1,858**	—
Fair value adjustment of investment properties reclassified from property, plant and equipment, net of related deferred taxation		**4,980**	14,919
		6,838	14,919
Other comprehensive (expense) income for the year		**(412,876)**	713,647
Total comprehensive (expense) income for the year		**(141,369)**	1,032,840

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**284,412**	330,131
Non-controlling interests		**(12,905)**	(10,938)
		271,507	319,193
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(127,552)**	1,039,925
Non-controlling interests		**(13,817)**	(7,085)
		(141,369)	1,032,840
			(restated)
Earnings per share	12		
Basic		**HK55.9 cents**	HK75.7 cents
Diluted		**HK50.5 cents**	HK69.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	5,092,721	4,648,783
Prepaid lease payments	14	181,183	189,101
Investment properties	15	188,571	183,350
Goodwill	16	—	6,185
Intangible asset	17	—	—
Interest in a joint venture	18	—	—
Available-for-sale investments	20	—	19,835
Financial assets at fair value through profit or loss	21	125,279	—
Deferred tax assets	22	1,888	4,152
Deposits paid for acquisition of property, plant and equipment		7,423	13,158
Other non-current assets	23	—	114,775
		5,597,065	5,179,339
Current assets			
Inventories	24	3,139,573	3,161,289
Trade and bills receivables	25	1,843,541	1,934,616
Deposits, prepayments and other receivables	27	214,602	192,047
Prepaid lease payments	14	4,816	4,894
Derivative financial instruments	28	—	2,155
Taxation recoverable		311	9,416
Restricted bank deposit	19	6,418	60,645
Bank balances and cash	29	2,454,951	2,800,895
		7,664,212	8,165,957
Current liabilities			
Trade and bills payables	30	551,061	483,676
Other payables and accruals	31	173,707	158,000
Contract liabilities	32	27,570	—
Dividend payable		189	191
Taxation payable		80,365	78,303
Derivative financial instruments	28	1,511	1,599
Bank borrowings — amount due within one year	33	2,692,876	2,304,847
Convertible bonds	35	389,611	369,804
		3,916,890	3,396,420
Net current assets		3,747,322	4,769,537
Total assets less current liabilities		9,344,387	9,948,876

Consolidated Statement of Financial Position

At 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	34	**51,794**	50,317
Reserves		**6,727,501**	6,884,330
Equity attributable to owners of the Company		**6,779,295**	6,934,647
Non-controlling interests		**25,472**	39,289
Total equity		**6,804,767**	6,973,936
Non-current liabilities			
Bank borrowings — amount due after one year	33	**2,444,271**	2,872,458
Deferred tax liabilities	22	**95,349**	102,482
		2,539,620	2,974,940
		9,344,387	9,948,876

The financial statements on pages 78 to 176 were approved and authorised for issue by the Board on 27 June 2019 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 2019

	Attributable to owners of the Company														
	Share capital HK$'000 (Note 34)	Share premium HK$'000	Special reserve HK$'000 (note i)	Convertible bonds equity reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note ii)	Translation reserve HK$'000	Dividend reserve HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017	41,937	2,845,422	1,961	–	39	76,229	(166,453)	–	45,738	934	13,293	2,841,009	5,700,109	57,154	5,757,263
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	–	330,131	330,131	(10,938)	319,193
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	694,554	–	–	–	–	–	694,554	3,853	698,407
Fair value change of available-for-sale investments	–	–	–	–	–	–	–	–	–	321	–	–	321	–	321
Fair value adjustment of investment properties reclassified from property, plant and equipment (Note 15)	–	–	–	–	–	–	–	–	–	–	14,919	–	14,919	–	14,919
Total comprehensive income (expense) for the year	–	–	–	–	–	–	694,554	–	–	321	14,919	330,131	1,039,925	(7,085)	1,032,840
Dividends paid to the non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(10,780)	(10,780)
Lapsed of share options	–	–	–	–	–	–	–	–	(24,492)	–	–	24,492	–	–	–
Issue of new shares (Note 34)	8,380	149,148	–	–	–	–	–	–	–	–	–	–	157,528	–	157,528
Recognition of equity component of convertible bonds (Note 35)	–	–	–	37,315	–	–	–	–	–	–	–	–	37,315	–	37,315
Transaction costs attributable to issue of convertible bonds (Note 35)	–	–	–	(230)	–	–	–	–	–	–	–	–	(230)	–	(230)
At 31 March 2018	50,317	2,994,570	1,961	37,085	39	76,229	528,101	–	21,246	1,255	28,212	3,195,632	6,934,647	39,289	6,973,936
Adjustments (Note 2)	–	–	–	–	–	–	–	–	–	(1,255)	–	6,320	5,065	–	5,065
At 1 April 2018 (restated and audited)	50,317	2,994,570	1,961	37,085	39	76,229	528,101	–	21,246	–	28,212	3,201,952	6,939,712	39,289	6,979,001
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	–	284,412	284,412	(12,905)	271,507
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(415,860)	–	–	–	–	–	(415,860)	(2,870)	(418,730)
Fair value change of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–	1,858	–	–	1,858	–	1,858
Reclassification adjustment upon disposal of a subsidiary	–	–	–	–	–	–	(502)	–	–	–	–	–	(502)	(482)	(984)
Reclassification adjustments upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–	(1,858)	–	1,858	–	–	–
Fair value adjustment of investment properties reclassified from property, plant and equipment (Note 15)	–	–	–	–	–	–	–	–	–	–	2,540	–	2,540	2,440	4,980
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(416,362)	–	–	–	2,540	286,270	(127,552)	(13,817)	(141,369)
2018 final dividend declared (Note 11)	–	–	–	–	–	–	–	50,317	–	–	–	(50,317)	–	–	–
Issue of shares under scrip dividend scheme for 2018 final dividend	1,477	15,975	–	–	–	–	–	(17,452)	–	–	–	–	–	–	–
Dividend paid in cash	–	–	–	–	–	–	–	(32,865)	–	–	–	–	(32,865)	–	(32,865)
At 31 March 2019	**51,794**	**3,010,545**	**1,961**	**37,085**	**39**	**76,229**	**111,739**	**–**	**21,246**	**–**	**30,752**	**3,437,905**	**6,779,295**	**25,472**	**6,804,767**

notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**293,524**	348,579
Adjustments for:			
Amortisation of prepaid insurance premium for life insurance policies		**–**	17
Bank interest income		**(45,672)**	(47,348)
Charge on early termination of a derivative financial instrument		**2,480**	–
Depreciation of property, plant and equipment		**342,815**	315,240
Finance costs		**230,787**	192,537
Gain on fair value change of investment properties		**(3,805)**	(3,080)
Impairment loss on goodwill		**6,185**	–
Impairment loss recognised on trade receivables		**–**	134
Interest income on life insurance policies		**–**	(2,999)
Loss on disposal of a subsidiary	36	**2,777**	–
Loss on disposal of property, plant and equipment		**193**	29
Net loss (gain) on fair value change of derivative financial instruments		**4,356**	(89,302)
Net gain on fair value change of financial assets at fair value through profit or loss		**(3,104)**	–
Release of prepaid lease payments		**4,849**	4,847
Operating cash flows before working capital changes		**835,385**	718,654
Increase in inventories		**(39,700)**	(67,218)
Decrease (increase) in trade and bills receivables		**55,193**	(16,089)
Increase in restricted bank deposit		**(6,418)**	–
Increase in deposits, prepayments and other receivables		**(33,904)**	(6,352)
Settlement of derivative financial instruments		**(2,289)**	(65,849)
Increase (decrease) in trade and bills payables		**74,655**	(168,248)
Increase (decrease) in other payables and accruals		**31,605**	(15,831)
Increase in contract liabilities		**18,078**	–
Decrease (increase) in borrowings from trade receivables factored with recourse		**36,156**	(50,358)
Cash generated from operations		**968,761**	328,709
Interest received		**45,672**	46,839
Interest paid on bank borrowings		**(190,980)**	(172,720)
PRC Enterprise Income Tax ("EIT") paid		**(16,047)**	(22,916)
Hong Kong Profits Tax refunded (paid)		**4,048**	(1,857)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**811,454**	178,055

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(992,266)**	(885,192)
Deposits paid for acquisition of property, plant and equipment		**(7,423)**	(13,158)
Withdrawal of restricted bank deposit		**58,165**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		**19,358**	–
Net cash inflow from disposal of a subsidiary	36	**5,131**	–
Proceeds from disposal of property, plant and equipment		**839**	1,883
Payment for entering of life insurance policies		**–**	(85,753)
NET CASH USED IN INVESTING ACTIVITIES		**(916,196)**	(982,220)
FINANCING ACTIVITIES			
Repayment of bank loans		**(552,811)**	(3,343,348)
Dividend paid to the Company's shareholders		**(32,865)**	–
Interest paid on convertible bonds		**(20,000)**	(5,534)
Repayment of mortgage loans		**(671)**	(732)
New bank loans raised		**319,059**	3,397,493
Net amount of import loans, export loans, trust receipts loans and term loans raised		**165,117**	108,681
Net proceeds from issue of convertible bonds		**–**	397,538
Net proceeds from subscription of shares		**–**	157,528
Dividend paid to non-controlling interests		**–**	(10,780)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(122,171)**	700,846
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(226,913)**	(103,319)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,800,895**	2,725,090
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(119,031)**	179,124
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**2,454,951**	2,800,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HKFRS 9	Financial Instruments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Production and sale of knitted fabric and dyed yarn; and

- Production and sale of garment products.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of knitted fabric, dyed yarn and garment products is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

A contract liability is recognised by the Group when deposit is received in advance from the customers at the time of acceptance of a contract with the customer, which represented the Group's obligation to transfer goods to the customers.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 April 2018. In addition, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

Summary of effects arising from initial application of HKFRS 15 (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK$'000
Current liabilities			
Other payables and accruals	158,000	(9,801)	148,199
Contract liabilities (note)	–	9,801	9,801

note: At the date of initial application of HKFRS 15, deposits received in advance from customers of HK$9,801,000 included in other payables and accruals were reclassified as contract liabilities.

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") model for financial assets and other item (for example, lease receivables) and (3) general ledger accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 if any is recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Information about accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.2 HKFRS 9 "Financial Instruments" and the related amendments (continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	note	Available-for-sale investments HK$'000	Other non-current assets HK$'000	Equity instruments at FVTOCI HK$'000	Financial assets at FVTPL HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000
Closing balance at 31 March 2018 – HKAS 39		19,835	114,775	–	–	(1,255)	(3,195,632)
Effect arising from initial application of HKFRS 9:							
Reclassification							
From available-for-sale investments	(a)	(19,835)	–	17,500	2,335	1,255	(1,255)
From other non-current assets	(b)	–	(114,775)	–	114,775	–	–
Remeasurement							
Remeasurement at fair value	(b)	–	–	–	5,065	–	(5,065)
Opening balance at 1 April 2018		–	–	17,500	122,175	–	(3,201,952)

notes:

(a) Available-for-sale ("AFS") investments

From AFS equity investments to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of its equity investments previously classified as AFS investments. At the date of initial application of HKFRS 9, an amount of HK$17,500,000 was reclassified from AFS investments to equity instruments at FVTOCI, which is related to unquoted equity investments previously measured at cost less impairment under HKAS 39. As at 1 April 2018, there is no fair value change relating to those unquoted equity investments.

From AFS investments to fair value through profit or loss ("FVTPL")

Investment in unlisted trust funds with a fair value of HK$2,335,000 was reclassified from AFS investments to financial assets at FVTPL. The accumulated fair value change of HK$1,255,000 relating to this investment previously recognised as OCI and accumulated in the investment revaluation reserve was transferred to accumulated profits as at 1 April 2018.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.2 HKFRS 9 "Financial Instruments" and the related amendments *(continued)*

Summary of effects arising from initial application of HKFRS 9 (continued)

notes: (continued)

(b) From other non-current assets to financial assets at FVTPL

Other non-current assets of HK$114,775,000 representing life insurance policies are reclassified to financial assets at FVTPL. This is because even though the Group's business model is to hold financial asset in order to collect contractual cash flows, the cash flows of this investment are not solely payments of principal and interest on the principal amount outstanding. Fair value gain of HK$5,065,000 related to those life insurance policies are adjusted to accumulated profits as at 1 April 2018.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and lease receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

ECL for other financial assets at amortised cost mainly comprise of restricted bank deposit, bills receivables, other receivables and bank balances, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no additional impairment allowance is charged against the financial assets as the amount is considered not material.

2.3 Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item:

	31 March 2018 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 April 2018 HK$'000 (Restated)
Non-current assets				
AFS investments	19,835	–	(19,835)	–
Financial assets at FVTPL	–	–	122,175	122,175
Financial assets at FVTOCI	–	–	17,500	17,500
Other non-current assets	114,775	–	(114,775)	–
Other items with no adjustments	5,044,729	–	–	5,044,729
	5,179,339	–	5,065	5,184,404
Current assets				
Other items with no adjustments	8,165,957	–	–	8,165,957
Current liabilities				
Other payables and accruals	158,000	(9,801)	–	148,199
Contract liabilities	–	9,801	–	9,801
Other items with no adjustments	3,238,420	–	–	3,238,420
	3,396,420	–	–	3,396,420
Net current assets	4,769,537	–	–	4,769,537
Total assets less current liabilities	9,948,876	–	5,065	9,953,941
Capital and reserves				
Accumulated profits	3,195,632	–	6,320	3,201,952
Investment revaluation reserve	1,255	–	(1,255)	–
Other items with no adjustments	3,737,760	–	–	3,737,760
Equity attributable to owners of the Company	6,934,647	–	5,065	6,939,712
Non-controlling interests	39,289	–	–	39,289
Total equity	6,973,936	–	5,065	6,979,001
Non-current liabilities				
Other items with no adjustments	2,974,940	–	–	2,974,940
	9,948,876	–	5,065	9,953,941

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

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

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

HKFRS 16 "Leases" *(continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interests and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and interest portion which will be presented as financing and operating cash flows, respectively. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature as appropriate.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$13,449,000 as disclosed in Note 40(ii). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,664,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of-use assets.

The application of new requirements will result changes in measurement, presentation and disclosure as indicated above. The Group will elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK (IFRIC) — Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group will elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/ HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a joint venture

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a joint venture *(continued)*

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

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

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) *(continued)*

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

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

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

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

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

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

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.

Leases

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasehold land and buildings

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

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

Property, plant and equipment

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

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

Depreciation is recognised so as to write off the cost of 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 (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. 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 or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which it arises.

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

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

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful life that is acquired separately is carried at cost less any subsequent accumulated impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The recoverable amounts of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When 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.

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

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

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

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

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

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

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

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangements *(continued)*

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

Share options granted to suppliers/consultants

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" 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 bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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) 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 fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

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

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 a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group' s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" in profit or loss.

(iii) Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

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

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

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these assets is assessed collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (continued)

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

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

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

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

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

(ii) Definition of default

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (continued)

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 "Leases".

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

- Nature of financial instruments (i.e. the Group's trade and bills receivables and other receivables are each assessed as a separate group.);
- Past-due status; and
- Nature, size and industry of debtors.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of 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.

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) 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 (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated 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 dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

(ii) AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

(iii) 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 non-current assets, other receivables, restricted bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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 when 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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranged 30 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Convertible bonds

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Convertible bonds *(continued)*

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial liabilities

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

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 within the next financial year.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration of forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL is disclosed in Notes 25 and 43(b) respectively.

Provision in respect of litigation claims

The Group was involved in certain litigation claims during the year. Provision arising from these litigation claims have been assessed by management taking into account of legal advices. Provision for the potential losses, if appropriate, is recognised based on management's best estimates and judgements. Further details are stated in Note 7 to the consolidated financial statements.

5. REVENUE

(i) Disaggregation of revenue

	2019 HK$'000	2018 HK$'000
Types of goods or service		
Production and sale of knitted fabric and dyed yarn	5,021,963	4,523,716
Production and sale of garment products	391,064	436,582
	5,413,027	4,960,298
Timing of revenue recognition		
At a point in time	5,413,027	4,960,298

(ii) Performance obligations for contracts with customers

Production and sales of knitted fabric and dyed yarn/garment products

The Group produces and sells the knitted fabric, dyed yarn and garment products to customers directly. Revenue is recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products. The normal credit term is 30 to 120 days upon delivery.

6. SEGMENT INFORMATION

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

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

(i) Knitted fabric and dyed yarn — Production and sale of knitted fabric and dyed yarn

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

6. SEGMENT INFORMATION *(continued)*

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

Year ended 31 March 2019

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	**5,021,963**	**391,064**	**5,413,027**	**–**	**5,413,027**
Inter-segment sales	**20,048**	**–**	**20,048**	**(20,048)**	**–**
Segment revenue	**5,042,011**	**391,064**	**5,433,075**	**(20,048)**	**5,413,027**
RESULTS					
Segment results	**542,983**	**(20,206)**	**522,777**	**–**	**522,777**
Unallocated corporate income					**68,987**
Unallocated other gains and losses					**(48,973)**
Unallocated corporate expenses					**(18,480)**
Finance costs					**(230,787)**
Profit before taxation					**293,524**

Year ended 31 March 2018

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated total HK$'000
REVENUE					
External sales	4,523,716	436,582	4,960,298	–	4,960,298
Inter-segment sales	25,538	–	25,538	(25,538)	–
Segment revenue	4,549,254	436,582	4,985,836	(25,538)	4,960,298
RESULTS					
Segment results	409,098	(11,541)	397,557	–	397,557
Unallocated corporate income					68,552
Unallocated other gains and losses					92,728
Unallocated corporate expenses					(17,721)
Finance costs					(192,537)
Profit before taxation					348,579

6. SEGMENT INFORMATION *(continued)*

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, loss on disposal of property, plant and equipment, gain on fair value change of investment properties, net gain/loss on fair value change of derivative financial instruments, net gain on fair value change of financial assets at FVTPL, amortisation of prepaid insurance premium for life insurance policies, interest income on life insurance policies, loss from litigation claims, charge on early termination of a derivative financial instrument, central administration costs and finance costs. This is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at the prevailing market rate.

Segment assets and liabilities

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

At 31 March 2019

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	10,036,744	316,495	10,353,239
Unallocated assets			2,908,038
Consolidated total assets			13,261,277
LIABILITIES			
Segment liabilities	1,074,205	61,983	1,136,188
Unallocated liabilities			5,320,322
Consolidated total liabilities			6,456,510

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

At 31 March 2018

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	9,753,928	344,411	10,098,339
Unallocated assets			3,246,957
Consolidated total assets			13,345,296
LIABILITIES			
Segment liabilities	943,914	67,757	1,011,671
Unallocated liabilities			5,359,689
Consolidated total liabilities			6,371,360

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

- all assets are allocated to operating segments other than bank balances and cash, derivative financial instrument, taxation recoverable, investment properties, financial assets at fair value through profit or loss, other non-current assets, deferred tax assets, corporate assets and assets of non-core businesses, and

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

6. SEGMENT INFORMATION *(continued)*

Other segment information

Year ended 31 March 2019

	Knitted fabric and dyed yarn HK$'000	**Garment products HK$'000**	**Consolidated total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets (note)	**999,227**	**6,197**	**1,005,424**
Depreciation of property, plant and equipment	**331,850**	**10,965**	**342,815**
Loss on disposal of property, plant and equipment	**154**	**39**	**193**
Impairment loss on goodwill	**—**	**6,185**	**6,185**
Release of prepaid lease payments	**4,753**	**96**	**4,849**

Year ended 31 March 2018

	Knitted fabric and dyed yarn HK$'000	Garment products HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets (note)	890,251	5,192	895,443
Depreciation of property, plant and equipment	299,787	15,453	315,240
Loss (gain) on disposal of property, plant and equipment	113	(84)	29
Impairment loss on trade receivables	—	134	134
Release of prepaid lease payments	4,751	96	4,847

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

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

6. SEGMENT INFORMATION *(continued)*

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**774,175**	654,407	**117,132**	109,264
Macau	**26,269**	16,494	**21**	40
PRC	**2,581,765**	2,581,412	**5,337,947**	4,909,225
South Korea	**502,090**	332,261	**—**	—
US	**447,954**	367,461	**—**	—
Bangladesh	**420,660**	468,175	**—**	—
Taiwan	**389,058**	361,861	**—**	—
Singapore	**71,434**	65,661	**—**	—
Vietnam	**60,002**	30,854	**—**	—
Indonesia	**41,289**	3,694	**—**	—
Canada	**30,325**	30,223	**—**	—
India	**18,148**	207	**—**	—
Mexico	**11,346**	—	**—**	—
Thailand	**9,508**	350	**—**	—
Germany	**2,879**	23,359	**—**	—
Others	**26,125**	23,879	**14,798**	22,048
	5,413,027	4,960,298	**5,469,898**	5,040,577

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 2019 and 2018.

Information about products and services

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

7. OTHER GAINS AND LOSSES

	2019 **HK$'000**	2018 HK$'000
Loss from litigation claims (note)	**(46,124)**	—
Impairment loss on goodwill (Note 16)	**(6,185)**	—
Net (loss) gain on fair value change of derivative financial instruments	**(4,356)**	89,302
Loss on disposal of a subsidiary (Note 36)	**(2,777)**	—
Charge on early termination of a derivative financial instrument	**(2,480)**	—
Loss on disposal of property, plant and equipment	**(193)**	(29)
Net foreign exchange gain (losses)	**6,095**	(249)
Gain on fair value change of investment properties	**3,805**	3,080
Net gain on fair value change of financial assets at FVTPL	**3,104**	—
Impairment loss on trade receivables	**—**	(134)
Others	**48**	509
	(49,063)	92,479

note: The amount represents the loss suffered by the Group as a result of certain court cases brought against a wholly-owned subsidiary of the Company arising from the use of certain unfulfilled trade bills and sales contracts which bear the company seal of the above subsidiary as collaterals by an independent third party supplier (the "Borrower") during the year ended 31 March 2017. The Borrower obtained borrowings from banks and other lenders in the PRC (the "Lenders") but subsequently failed to repay. The Lenders took legal actions against the above subsidiary to enforce their rights in relation to the collaterals. While the subsidiary defended these vigorously, the Directors reviewed the then circumstances and, taking into consideration the opinion from a legal counsel, recognised a provision for loss of HK$17,442,000 in the consolidated financial statements for that financial year. The Directors considered that the chance of incurring further losses in relation to the above matter was remote.

In the current financial year, certain court hearings for the above legal actions taken by certain Lenders were held and the decisions were in favour of the Lenders. The subsidiary had negotiated with some of the Lenders for mutually agreed amounts of settlements. Taking into account of further legal advices, an aggregate amount of HK$46,124,000 was recognised in the consolidated financial statements for the current year, which included full provision of HK$5,952,000 for two cases which are still in the process of court hearing based on the opinion from a legal counsel. The Directors consider that the chance of incurring further losses in relation to the above matter was remote.

The Directors are seeking legal advices and may consider to lodge appeals for certain cases and to initiate legal proceedings against the Borrower to recover the subsidiary's losses.

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**190,980**	172,720
Interest on convertible bonds (Note 35)	**39,807**	19,817
	230,787	192,537

9. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
The tax charge comprises:		
Current tax:		
Current year		
— Hong Kong Profits Tax	**6,116**	2,000
— PRC EIT	**20,154**	19,965
Overprovision in respect of prior year	**(504)**	—
	25,766	21,965
Deferred taxation (Note 22)		
Current year	**(3,749)**	7,421
	22,017	29,386

Hong Kong

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

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

9. INCOME TAX EXPENSE *(continued)*

PRC

Under the Law of the PRC on EIT and its Implementation Regulation, the tax rate of the PRC subsidiaries is 25%.

Starting from December 2017 and for the year ended 31 March 2019, 江門市新會區冠華針織廠有限公司 was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New Technology Enterprise. The preferential tax rate is applicable for three years until December 2019 and subject to renewal, as determined in accordance with relevant income tax rules and regulations in PRC.

Macau

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

Other jurisdictions

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

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:

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**293,524**	348,579
Tax at the domestic income tax rate of 16.5%	**48,431**	57,516
Tax effect of expenses that are not deductible for tax purpose	**23,064**	15,063
Tax effect of income not taxable for tax purpose	**(1,946)**	(4,599)
Tax effect of two-tiered tax regime	**(165)**	—
Tax effect of tax losses not recognised	**3,275**	5,163
Tax effect of utilisation of tax losses previously not recognised	**(512)**	(3,680)
Tax effect of other deductible temporary differences not recognised	**(76)**	76
Tax effect of utilisation of other deductible temporary differences previously not recognised	**—**	(21,787)
Effect of tax exemptions granted to overseas subsidiaries	**(46,158)**	(27,449)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**10,663**	10,510
Effect of concessionary rate granted to a PRC subsidiary	**(13,459)**	(11,639)
Overprovision in respect of prior year	**(504)**	—
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1 January 2008	**(596)**	10,212
Income tax expense for the year	**22,017**	29,386

Details of deferred taxation are set out in Note 22.

10. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note i)	**33,248**	27,644
Other staff costs	**519,656**	520,487
Total staff costs	**552,904**	548,131
Auditor's remuneration	**4,135**	3,635
Amortisation of prepaid insurance premium for life insurance policies	**–**	17
Depreciation of property, plant and equipment	**342,815**	315,240
Release of prepaid lease payments	**4,849**	4,847
and after crediting:		
Bank interest income	**45,672**	47,348
Government grants	**5,469**	4,914
Interest income on life insurance policies	**–**	2,999
Rental income from investment properties and plant and machinery (net of negligible outgoings)	**23,315**	21,713

Included in the other staff costs is an aggregate amount of HK$52,991,000 (2018: HK$48,947,000) 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.

10. PROFIT FOR THE YEAR *(continued)*

notes:

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

Directors and chief executive

The emoluments paid or payable to each of the seven (2018: seven) Directors and the chief executive were as follows:

	Executive Directors				Independent non-executive Directors			
	Li Ming Hung HK$'000	Chen Tien Tui HK$'000	Lee Yuen Chiu Andy HK$'000	Choi Lin Hung HK$'000	Kan Ka Hon HK$'000	Phaisalakani Vichai HK$'000	Kwok Sze Chi HK$'000	Total HK$'000
2019								
Fees	**—**	**—**	**—**	**1,170**	**240**	**240**	**240**	**1,890**
Salaries and other benefits	**9,360**	**9,360**	**1,550**	**2,490**	**—**	**—**	**—**	**22,760**
Performance related incentive payments (note)	**3,360**	**3,360**	**728**	**751**	**—**	**—**	**—**	**8,199**
Contributions to retirement benefits schemes	**144**	**144**	**86**	**25**	**—**	**—**	**—**	**399**
Total emoluments	**12,864**	**12,864**	**2,364**	**4,436**	**240**	**240**	**240**	**33,248**
2018								
Fees	—	—	—	1,170	240	240	240	1,890
Salaries and other benefits	6,600	6,600	1,550	2,490	—	—	—	17,240
Performance related incentive payments (note)	3,360	3,360	728	751	—	—	—	8,199
Contributions to retirement benefits schemes	102	102	86	25	—	—	—	315
Total emoluments	10,062	10,062	2,364	4,436	240	240	240	27,644

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

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

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

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

10. PROFIT FOR THE YEAR *(continued)*

notes: *(continued)*

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

Employees

The five highest paid individuals of the Group for both years included four (2018: four) Directors, details of whose emoluments are set out above. The emoluments of the remaining individual of the Group, not being a Director, are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**1,920**	1,920
Performance related incentive payments	**987**	987
Contributions to retirement benefits schemes	**69**	69
	2,976	2,976

During each of the years ended 31 March 2019 and 31 March 2018, (i) no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the Directors waived any emoluments.

(II) RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

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

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

As at 31 March 2019 and 2018, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement benefits scheme contributions, which are based on 15% to 20% (2018: 15% to 20%) of the salaries of the relevant subsidiaries' employees, are charged to the profit or loss in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

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

11. DISTRIBUTIONS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year:		
2018 final dividend of HK1.0 cent per ordinary share (2018: Nil)	**50,317**	—

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: HK1.0 cent per Share, in cash with a scrip option).

12. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**284,412**	330,131
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**39,807**	19,817
Earnings for the purpose of diluted earnings per share	**324,219**	349,948
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**508,959,809**	436,134,421
Effect of dilutive potential ordinary shares:		
Convertible bonds	**133,333,333**	69,771,690
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**642,293,142**	505,906,111

The weighted average number of ordinary shares for the purposes of calculating basic earnings per share for the year ended 31 March 2019 has been adjusted, taking into account the share consolidation and the bonus element of the rights issue which were completed after the end of the reporting period but before the consolidated financial statements are authorised for issue. The corresponding weighted average number of ordinary shares for the year ended 31 March 2018 has been retrospectively adjusted to reflect the said share consolidation and the bonus element of the rights issue. Details of share consolidation and rights issue of shares are set out in Note 47 to the consolidated financial statements.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 April 2017	2,446,942	214,712	70,474	955,511	38,270	2,667,817	6,393,726
Exchange realignment	341,759	30,587	3,747	6,000	1,695	258,901	642,689
Transfer/reclassification	1,462,629	(603,453)	–	(859,176)	–	–	–
Additions	462	787,570	4,152	99	1,284	101,876	895,443
Transfer to investment properties (Note 15)	(2,470)	–	–	–	–	–	(2,470)
Disposals	–	–	(343)	(1,299)	(2,404)	(6,352)	(10,398)
At 31 March 2018	4,249,322	429,416	78,030	101,135	38,845	3,022,242	7,918,990
Exchange realignment	(193,395)	(20,441)	(2,035)	(2,983)	(899)	(137,639)	(357,392)
Transfer/reclassification	1,171,500	(1,171,500)	–	–	–	–	–
Additions	–	886,077	1,096	3,661	1,754	112,836	1,005,424
Transfer to investment properties (Note 15)	(1,836)	–	–	–	–	–	(1,836)
Disposals	–	–	(2,160)	(938)	(1,016)	(2,816)	(6,930)
Disposal of a subsidiary (Note 36)	–	–	(3,971)	(5,765)	(506)	(19,450)	(29,692)
At 31 March 2019	**5,225,591**	**123,552**	**70,960**	**95,110**	**38,178**	**2,975,173**	**8,528,564**
DEPRECIATION							
At 1 April 2017	920,546	–	62,269	95,700	24,836	1,597,193	2,700,544
Exchange realignment	96,626	–	3,173	2,749	1,495	159,755	263,798
Reclassification	46,311	–	–	(46,311)	–	–	–
Provided for the year	145,645	–	2,135	6,061	4,725	156,674	315,240
Eliminated on disposals	–	–	(324)	(1,278)	(2,038)	(4,846)	(8,486)
Transfer to investment properties (Note 15)	(889)	–	–	–	–	–	(889)
At 31 March 2018	1,208,239	–	67,253	56,921	29,018	1,908,776	3,270,207
Exchange realignment	(53,808)	–	(1,743)	(1,412)	(812)	(86,913)	(144,688)
Provided for the year	177,488	–	3,112	5,391	4,052	152,772	342,815
Eliminated on disposals	–	–	(1,928)	(923)	(788)	(2,259)	(5,898)
Disposal of a subsidiary (Note 36)	–	–	(3,839)	(4,913)	(471)	(16,745)	(25,968)
Transfer to investment properties (Note 15)	(625)	–	–	–	–	–	(625)
At 31 March 2019	**1,331,294**	**–**	**62,855**	**55,064**	**30,999**	**1,955,631**	**3,435,843**
CARRYING VALUES							
At 31 March 2019	**3,894,297**	**123,552**	**8,105**	**40,046**	**7,179**	**1,019,542**	**5,092,721**
At 31 March 2018	3,041,083	429,416	10,777	44,214	9,827	1,113,466	4,648,783

13. 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%–33⅓% per annum
Leasehold improvements	Over 5 to 10 years or the term of the relevant leases, if shorter
Motor vehicles	20% per annum
Plant and machinery	6⅔%–25% per annum

	2019	2018
	HK$'000	HK$'000
The Group's leasehold land and buildings comprise:		
Leasehold land and buildings located in:		
PRC	**3,881,342**	3,027,288
Hong Kong	**12,955**	13,795
	3,894,297	3,041,083

14. PREPAID LEASE PAYMENTS

	2019	2018
	HK$'000	HK$'000
Prepaid lease payments comprise leasehold land in the PRC	**185,999**	193,995
Analysed for reporting purposes as:		
Current assets	**4,816**	4,894
Non-current assets	**181,183**	189,101
	185,999	193,995

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUES	
At 1 April 2017	154,656
Transfer from property, plant and equipment (Note 13)	1,581
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	14,919
Increase in fair value recognised in profit or loss	3,080
Exchange realignment	9,114
At 31 March 2018	183,350
Transfer from property, plant and equipment (Note 13)	1,211
Increase in fair value recognised in property revaluation reserve upon the transfer from property, plant and equipment	4,980
Increase in fair value recognised in profit or loss	3,805
Exchange realignment	(4,775)
At 31 March 2019	**188,571**

During the years ended 31 March 2019 and 2018, a portion of the Group's office premises located in Hong Kong with a carrying amount of HK$1,211,000 (2018: HK$1,581,000) was leased out to an independent third party. The corresponding portion of the leasehold land and building was reclassified from property, plant and equipment to investment properties from the date of commencement of the lease agreement. The property was fair-valued by Roma Appraisals Limited ("Roma") and the resulting increase in fair value of net of non-controlling interest HK$2,540,000 (2018: HK$14,919,000) has been credited to the property revaluation reserve. The fair value of these office premises were determined based on the income approach.

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

The fair value of the Group's investment properties at 31 March 2019 and 2018 has been arrived at based on a valuation carried out by Roma.

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

15. INVESTMENT PROPERTIES *(continued)*

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 2019 and 2018 are as follows:

Category	Fair value hierarchy	Fair value 2019 HK$'000	Fair value 2018 HK$'000	Valuation techniques	Key unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	Level 3	**96,071**	100,250	Replacement costs approach	Current costs of replacements of the properties	The higher the costs of replacement, 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
					Market value of the existing use of land	The higher the market value, the higher the fair value
Residential properties	Level 3	**30,000**	30,000	Market comparable approach	Transaction prices for similar properties after accounting for floor areas and floor level	The higher the transaction prices, the higher the fair value
Commercial properties	Level 3	**18,500**	17,100	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 properties	Level 3	**44,000**	36,000	Income approach	Monthly market rent, taking into account the differences in location and individual factors, such as floor areas and floor level, between the comparables and the property	The higher the market rent, the higher the fair value
					Reversionary yield (input from monthly market rent)	The higher the reversionary yield, the lower the fair value
		188,571	183,350			

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

	2019 HK$'000	2018 HK$'000
The Group's investment properties comprise:		
Investment properties located in:		
PRC	**96,071**	100,250
Hong Kong	**92,500**	83,100
	188,571	183,350

16. GOODWILL

	HK$'000
COST	
At 1 April 2017 and 31 March 2018	6,185
Impairment (Note 7)	(6,185)
At 31 March 2019	**–**

As explained in Note 6, the Group has two (2018: two) operating segments. For the purposes of impairment testing, goodwill was allocated to an individual CGU, which is included in the production and sale of garment products segment. The segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

During the year ended 31 March 2019, impairment loss amounting to HK$6,185,000 (2018: nil) was recognised in respect of the above CGU due to the continuous deterioration of performance. The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets with a growth rate of 5% approved by management covering a 5-year period, and a pre-tax discount rate of 10% (2018: 10%). The cash flows beyond the 5-year period are extrapolated using zero growth rate for both years. The growth rate beyond the budget period is estimated based on management forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGUs' past performance and management's expectations for the market development.

17. INTANGIBLE ASSET

	HK$'000
COST	
At 1 April 2017, 31 March 2018 and 31 March 2019	**1,000**
IMPAIRMENT	
At 1 April 2017, 31 March 2018 and 31 March 2019	**(1,000)**
CARRYING VALUES	
At 31 March 2018 and 31 March 2019	**–**

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

18. INTEREST IN A JOINT VENTURE

	2019 & 2018 HK$'000
Cost of unlisted investment in a joint venture	1,340
Share of post-acquisition losses	(1,340)
	–

As at 31 March 2019 and 31 March 2018, the Group had interest in the following joint venture:

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

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

19. RESTRICTED BANK DEPOSIT

The amounts of HK$6,418,000 as at 31 March 2019 represents restricted bank deposit placed with a bank due to one of the court cases as set out in Note 7.

The amount of HK$60,645,000 as at 31 March 2018 represented an initial deposit of US$7,990,000 placed with a bank pursuant to one of the structured foreign currency forward contract entered into during the year ended 31 March 2016. The amount is repaid to the Group during the year ended 31 March 2019 upon the early termination of the contract.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000
Unlisted equity investment (note i)	17,500
Unlisted trust fund (note ii)	2,335
	19,835

notes:

(i) The above investment in an unlisted equity investment represented investment in an unlisted equity security issued by a private entity incorporated in the PRC. It was measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that its fair value could not be measured reliably.

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	at 31 March 2019 HK$'000	at 1 April 2018 HK$'000
Investment in an unlisted trust fund (note i)	**2,057**	2,335
Life insurance policies (note ii)	**123,222**	119,840
	125,279	122,175

notes:

(i) The 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.

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

As at 1 April 2018, life insurance policies of HK$114,775,000 previously included in other non-current assets was reclassified to financial assets at FVTPL and fair value gain of HK$5,065,000 are adjusted to accumulated profits upon application of HKFRS 9. Details of other non-current assets as at 31 March 2018 are set out in Note 23.

22. 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:

	2019 **HK$'000**	2018 HK$'000
Deferred tax assets	**1,888**	4,152
Deferred tax liabilities	**(95,349)**	(102,482)
	(93,461)	(98,330)

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 from business combination **HK$'000**	**Accelerated tax and accounting depreciation** **HK$'000**	**Dividend withholding tax** **HK$'000**	**Fair value adjustments on investment properties** **HK$'000**	**Others** **HK$'000**	**Total** **HK$'000**
At 1 April 2017	54,245	(1,333)	29,886	1,925	(2,535)	82,188
(Credit) charge to profit or loss	(3,464)	628	10,212	–	45	7,421
Exchange differences	5,079	–	3,449	193	–	8,721
At 31 March 2018	55,860	(705)	43,547	2,118	(2,490)	98,330
(Credit) charge to profit or loss	(3,464)	311	(596)	–	–	(3,749)
Disposal of a subsidiary (Note 36)	–	1,662	–	–	602	2,264
Exchange differences	(2,330)	–	(952)	(102)	–	(3,384)
At 31 March 2019	**50,066**	**1,268**	**41,999**	**2,016**	**(1,888)**	**93,461**

At the end of the reporting period, the Group had unused tax losses of HK$252,884,000 (2018: HK$236,139,000) available for offset against future profits. No deferred tax asset on such tax losses has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

22. DEFERRED TAXATION *(continued)*

At the end of the reporting period, the Group has other deductible temporary differences of HK$46,498,000 (2018: HK$48,823,000) and HK$684,000 (2018: HK$1,143,000) in respect of accelerated accounting depreciation and unrealised fair value losses on derivative financial instruments, respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At the end of the reporting period, the Group has recognised deferred tax liabilities in respect of some of its accumulated profits. No deferred tax liabilities has been recognised in respect of the remaining accumulated profits as it is the intention of the Directors to retain certain earnings within these subsidiaries.

23. OTHER NON-CURRENT ASSETS

	2018 HK$'000
Life insurance policies	114,775

As at 31 March 2018, the Group entered into several life insurance policies with an insurance company to insure against the death and permanent disabilities of certain executive directors. Under the policies, the beneficiary and policy holder are the Company, VC Company and Global Honour Investments Limited, wholly owned subsidiaries of the Company, and the total insured sum is approximately US$31,800,000, equivalent to HK$247,274,000). The contracts will be terminated on the occurrence of the earliest of the death of the key management personnel insured or other terms pursuant to the contracts. The Company has paid out the total insurance premium with an aggregate amount of approximately US$15,327,000 (equivalent to approximately HK$118,952,000) at the inception of the policies. The Group may request a surrender of the contracts at any time and receive cash back based on the Cash Value. A guaranteed interest rate of 4.25%–5.20% per annum applied to the contracts for the first year, followed by the discretionary portion with a minimum guaranteed interest rate of 2%–3% per annum for the following years until termination.

At the inception dates, the upfront payment is separated into deposits and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay the Company guaranteed interest rates plus a premium determined by the insurance company during the tenures of these policies. The effective interest rate of 11% on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policies, excluding the financial effect of surrender charge.

The carrying amount of the life insurance policies as at 31 March 2018 approximated the Cash Value of the insurance policies and the expected life of the policies remained unchanged from the initial recognition.

As at 1 April 2018, life insurance policies of HK$114,775,000 previously included in other non-current assets were reclassified to financial assets at fair value through profit or loss upon application of HKFRS 9. Details of financial assets at fair value through profit or loss as at 1 April 2018 are set out in Note 21.

24. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	1,630,229	1,682,044
Work in progress	898,755	839,375
Finished goods	610,589	639,870
	3,139,573	3,161,289

25. TRADE AND BILLS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables — from contracts with customers	1,848,763	1,940,417
Less: Allowance for credit losses	(6,362)	(6,426)
	1,842,401	1,933,991
Bills receivables	1,140	625
	1,843,541	1,934,616

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

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

	2019 HK$'000	2018 HK$'000
0–60 days	1,159,317	1,189,442
61–90 days	390,651	427,848
91–120 days	185,560	188,477
Over 120 days	108,013	128,849
	1,843,541	1,934,616

25. 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:

	2019	2018
	HK$'000	HK$'000
HK$	**3,210**	–
RMB	**27,040**	29,997
US$	**255,037**	303,524

Before accepting any new customer, the Group assesses and understands the potential customer's credit quality. The management reviews each customer's credit quality regularly. All trade receivables that are neither past due nor impaired have good credit quality after considering the aging of the trade receivable balances, and the repayment history, the financial conditions and the current creditworthiness of each customer.

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

As at 31 March 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$128,849,000 which were past due, all aged over 120 days, at the end of the reporting period but for which the Group has not recognised an impairment loss.

Movements in the allowance for doubtful debts

	HK$'000
Balance at 1 April 2017	6,169
Impairment loss recognised on trade receivables	134
Exchange realignment	123
Balance at 31 March 2018	6,426

The impairment loss recognised was related to customers which have either been placed under liquidation or were in severe financial difficulties. The Group did not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there had not been an adverse change in the relevant entities' credit quality. The Group had assessed the ultimate realisation of these receivables, including the aging of the trade receivable balances, and the repayment history, the financial conditions and the current creditworthiness of each customer and has not identified any credit risk on these trade receivables.

25. TRADE AND BILLS RECEIVABLES *(continued)*

Movements in the allowance for doubtful debts *(continued)*

The Group factored certain trade receivables to banks with recourse. The Group continued to recognise the carrying amount of the respective receivables as the Group was still exposed to credit risk on these receivables. As at 31 March 2019, the carrying amount of trade receivables factored with recourse was HK$128,742,000 (2018: HK$92,032,000).

26. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's trade receivables as at 31 March 2019 that were transferred to banks by factoring those trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the trade receivables and has recognised the cash received on the transfer as an unsecured borrowing (see Note 33). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2019	2018
	HK$'000	HK$'000
Carrying amount of trade receivables	**128,742**	92,032
Carrying amount of associated liabilities	**(127,964)**	(91,808)

27. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Deposits paid for purchase of raw materials and garment products	**170,862**	148,625
Other deposits and prepayments	**13,671**	21,914
Others	**30,069**	21,508
	214,602	192,047

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

28. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	note	Liabilities 2019 HK$'000	Liabilities 2018 HK$'000	Assets 2019 HK$'000	Assets 2018 HK$'000
Structured foreign currency forward contracts:	(i)				
Net-Settled Contracts	(ii)	–	–	–	920
Interest rate swap	(iii)	1,511	1,599	–	–
Interest rate collars	(iv)	–	–	–	1,235
		1,511	1,599	–	2,155

notes:

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

(ii) At 31 March 2018, the pre-determined RMB/US$ exchange rates range from 6.00 to 6.70. The maximum aggregate notional amount of these Net-settled Contracts for the calculation of the monthly net-settled amounts is US$13,000,000, of which US$7,000,000 is related to contracts with knockout provision. The contracts are settled during the year ended 31 March 2019.

(iii) At 31 March 2019, 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% (2018: 3.56%) per annum amounted to HK$40,000,000 (2018: HK$40,000,000). The interest rate swap is to be net-settled on a quarterly basis over the period from 31 May 2019 to 31 May 2021 (2018: from 31 May 2018 to 31 May 2021).

(iv) At 31 March 2019, the total notional amount of the interest rate collar contracts with a cap rate of 4.00% (2018: 4.00%) per annum and floor rate of 0.20% (2018: 0.20%) per annum against floating rate at 1-month HIBOR (2018: 1-month HIBOR) per annum amounted to HK$1,000,000,000 (2018: HK$1,500,000,000). The interest rate collar contracts are to be net-settled on a monthly basis over the contract periods. The maturity dates of these contracts range from 20 June 2019 to 24 June 2019. The contract for HK$500,000,000 is settled during the year upon the early termination of the contract.

29. BANK BALANCES AND CASH

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

	2019 HK$'000	2018 HK$'000
Bank balances and cash	**1,872,679**	1,894,844
Short term deposits	**582,272**	906,051
	2,454,951	2,800,895

The bank balances and short term deposits carry interest at prevailing market rates ranging from 0.001% to 4.00% (2018: 0.001% to 4.00%) 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:

	2019 HK$'000	2018 HK$'000
HK$	**496**	331
RMB	**519**	371
US$	**16,609**	362,680

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

30. 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:

	2019 HK$'000	2018 HK$'000
0–60 days	**240,628**	240,383
61–90 days	**124,026**	138,179
91–120 days	**148,486**	93,760
Over 120 days	**37,921**	11,354
	551,061	483,676

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.

30. TRADE AND BILLS PAYABLES *(continued)*

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:

	2019 HK$'000	2018 HK$'000
US$	**51,760**	47,339

31. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Other payables	**49,136**	28,871
Accruals	**90,296**	84,895
Deposits received from customers	**–**	9,801
Rental deposit received	**10,785**	11,314
Others	**23,490**	23,119
	173,707	158,000

32. CONTRACT LIABILITIES

	At 31 March 2019 HK$'000	At 1 April 2018 (note) HK$'000
Knitted fabric and dyed yarn	**27,570**	9,801

note: The amount is after the adjustment from the application of HKFRS 15.

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

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

33. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans	**3,316,935**	3,554,258
Trade receivables factored with recourse	**127,964**	91,808
Import loans, export loans, trust receipts loans and term loans	**1,682,772**	1,521,092
Mortgage loans	**9,476**	10,147
	5,137,147	5,177,305
Analysed as:		
— secured	**309,163**	279,129
— unsecured	**4,827,984**	4,898,176
	5,137,147	5,177,305

	2019 HK$'000	2018 HK$'000
Carrying amounts of bank loans that do not contain repayment on demand clause and repayable (note):		
Within one year	**618,628**	188,422
In more than one year but not more than two years	**568,726**	425,427
In more than two years but not more than three years	**1,875,545**	570,326
In more than three years but not more than four years	**—**	1,876,705
	3,062,899	3,060,880
Carrying amounts of bank loans that contain repayment on demand clause and repayable (note):		
Within one year	**1,983,473**	2,003,268
In more than one year but not more than two years	**3,861**	20,670
In more than two years but not more than five years	**11,583**	13,176
Over five years	**75,331**	79,311
	2,074,248	2,116,425
	5,137,147	5,177,305
Less: Amounts shown as current liabilities	**(2,692,876)**	(2,304,847)
Amounts shown as non-current liabilities	**2,444,271**	2,872,458

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

33. BANK BORROWINGS *(continued)*

The above includes syndicated loans of HK$2,898,000,000 (2018: HK$2,898,000,000) which bears interest at HIBOR plus 1.68% per annum or London Interbank Offered Rate ("LIBOR") plus 1.68% per annum with a tenure of 4 years (2018: HIBOR plus 1.68% per annum or LIBOR plus 1.68% per annum with a tenure of 4 years). The Group's other variable-rate bank borrowings bear interest rates which fall within the range of HIBOR plus 1.00% to 2.70% per annum, LIBOR plus 1.25% to 2.50% per annum or the People's Bank of China Prescribed Rate ("PBOC Prescribed Rate") times 1.1 per annum for the year ended 31 March 2019 (2018: HIBOR plus 1.00% to 2.70% 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 2.2% to 5.51% per annum (2018: 1.79% to 5.51% 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:

	2019 **HK$'000**	2018 HK$'000
HK$	**70,690**	70,000
US$	**489,074**	500,298

34. SHARE CAPITAL

	Number of shares	**Amount** **HK$'000**
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2017, 31 March 2018 and 31 March 2019	40,000,000,000	400,000
Issued and fully paid:		
As at 1 April 2017	4,193,744,205	41,937
Issue of Shares upon subscription of Shares, net of related transaction costs (note i)	838,000,000	8,380
As at 31 March 2018	5,031,744,205	50,317
Issue of Shares pursuant to scrip dividend scheme for 2018 final dividend (note ii)	147,669,002	1,477
As at 31 March 2019	**5,179,413,207**	**51,794**

34. SHARE CAPITAL *(continued)*

notes:

(i) On 28 December 2017, the Company entered into a placing agreement with Kingston Securities Limited as placing agent (the "Placing Agent"), which are independent and not connected with the Company (the "Placing"). Pursuant to the placing agreement, the Placing Agent agreed to place up to 838,000,000 placing Shares to not less than six third parties which (including their ultimate beneficial owners, where applicable) are independent of the Company and their respective connected persons at HK$0.19 per placing Share. The Placing was completed on 18 January 2018. After deducting all related transaction costs, the net proceeds from the subscription amounted to approximately HK$157,528,000. The placees and their ultimate beneficial owners (if applicable) are third parties independent of and not connected with the Company and its connected persons.

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

35. CONVERTIBLE BONDS

On 22 September 2017 (the "Issue Date"), the Company issued Convertible Bonds to two Shareholders, Pearl Garden and Madian Star, with an aggregate principal sum of HK$400,000,000 at a total consideration of HK$400,000,000.

The major terms of the Convertible Bonds are as below:

The Convertible Bonds carry 5% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the Convertible Bonds will be fully redeemed by the Company at its principal amount upon maturity on 23 September 2019 (the "Maturity Date").

The holders of the Convertible Bonds and the Company have the option to redeem the whole or part of the outstanding Convertible Bonds at any time during the period by giving the Company not less than 60 days prior notice, or giving the holders not less than seven business days prior notice, commencing from the Issue Date and expiring on the Maturity Date at par value plus accrued interest (the "Holders and Issuer Redemption Options").

The holders of the Convertible Bonds have the right to convert the principal amount of Convertible Bonds into ordinary Shares of HK$0.01 each at an initial conversion price of HK$0.30 per Share (subject to anti-dilutive adjustments) at any time during the period commencing from the Issue Date up to the Maturity Date, subject to the minimum public float requirement.

At initial recognition, the equity component of the Convertible Bonds was separated from the liability component. The equity element is presented in equity as "convertible bonds equity reserve". The Holders and Issuer Redemption Options are considered as closely related to the host debt and are not separated from the host contract. The effective interest rate of the liability component is 10.40% per annum.

35. CONVERTIBLE BONDS *(continued)*

The movement of the liability component and equity component of the Convertible Bonds for the year is set out below:

	Liability component HK$'000	Equity component HK$'000
At 1 April 2017	—	—
Issue on 22 September 2017	362,685	37,315
Transaction costs	(2,232)	(230)
Interest accrued	19,817	—
Interest paid/payable	(10,466)	—
At 31 March 2018	369,804	37,085
Interest accrued	39,807	—
Interest paid/payable	(20,000)	—
At 31 March 2019	**389,611**	**37,085**

36. DISPOSAL OF A SUBSIDIARY

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

36. DISPOSAL OF A SUBSIDIARY *(continued)*

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

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

37. SHARE-BASED PAYMENT TRANSACTIONS

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

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2011 Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Schemes and any other share option scheme of the Group) to be granted under the Schemes and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on 15 March 2011. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Schemes and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. As at the date of this annual report, the total number of shares of HK$0.10 each available for issue under the 2011 Scheme was 255,210, representing approximately 0.03% of the total issued shares as at the date of this annual report.

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.

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

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

Category	Date of grant	Exercise price per Share	Adjusted exercise price per Share due to rights issue	Exercisable period	Number of option shares: Outstanding at 1.4.2017	Lapsed during the year ended 31.3.2018	Outstanding at 31.3.2018 and 31.3.2019
		HK$	HK$				
Directors							
Mr. Li Ming Hung	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	1,257,720	(1,257,720)	–
Mr. Chen Tien Tui	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	1,257,720	(1,257,720)	–
Mr. Lee Yuen Chiu Andy	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	5,240,500	(5,240,500)	–
Mr. Choi Lin Hung	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	12,577,200	(12,577,200)	–
	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	15,721,500	–	**15,721,500**
Employees	2 April 2012	0.782	0.746	2.4.2012–1.4.2017	88,512,045	(88,512,045)	–
	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	238,966,800	–	**238,966,800**
Others	12 October 2016	0.391	0.373	12.10.2016–11.10.2021	28,298,700	–	**28,298,700**
					391,832,185	(108,845,185)	**282,987,000**
Exercisable at the end of the year					391,832,185		**282,987,000**
Weighted average exercise price (HK$)					0.477		**0.373**

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

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

38. MAJOR NON-CASH TRANSACTIONS

Details of scrip dividends in lieu of cash are set out in Note 34.

39. PLEDGE OF ASSETS

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

	2019 HK$'000	2018 HK$'000
Property, plant and equipment	**152,919**	158,215
Prepaid lease payments	**140,125**	144,150
Investment properties	**30,000**	30,000
Life insurance policies	**123,222**	90,564
	446,266	422,929

40. COMMITMENTS

(i) Capital commitments

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated statement of financial position	**160,685**	108,266

(ii) Operating lease commitments

The Group as lessee

	2019 HK$'000	2018 HK$'000
Minimum lease payments paid under operating leases in respect of office premises and warehouses during the year	**12,101**	11,032

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:

	2019 HK$'000	2018 HK$'000
Within one year	**7,055**	10,489
In the second to fifth year inclusive	**6,394**	13,415
	13,449	23,904

40. COMMITMENTS *(continued)*

(ii) Operating lease commitments *(continued)*

The Group as lessee (continued)

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

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

	2019 HK$'000	2018 HK$'000
Within one year	2,056	1,791
In the second to fifth year inclusive	365	968
	2,421	2,759

The relevant expenses for the year is disclosed in Note 41(i).

(iii) Operating lease arrangement

The Group as lessor

Rental income earned from investment properties and plant and machinery during the year was HK$23,315,000 (2018: HK$21,713,000).

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

	2019 HK$'000	2018 HK$'000
Within one year	23,589	6,723
In the second to fifth year inclusive	27,649	1,143
More than five years	1,023	—
	52,261	7,866

41. RELATED PARTY DISCLOSURES

The Group entered into the following transactions with related parties:

(i) During the year ended 31 March 2019, the Group paid operating lease payments of HK$1,200,000 (2018: HK$1,074,000) 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 2019, the Group paid operating lease payments of HK$816,000 (2018: HK$816,000) to Takemain Development Limited ("Takemain"). Takemain is owned by a discretionary trust, the beneficiaries of which include Mr. Chen Tien Tui, a Director and a Shareholder who has significant influence over the Company, and his family members.

(ii) During the year ended 31 March 2018, the Company issued Convertible Bonds to two Shareholders, Pearl Garden and Madian Star, with an aggregate principal sum of HK$400,000,000 as detailed in Note 35.

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

	2019 HK$'000	2018 HK$'000
Short-term benefits	35,757	30,236
Post-employment benefits	467	384
	36,224	30,620

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

42. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 33, net of cash and cash equivalents disclosed in Note 29, 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 of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	–	4,925,761
Financial assets at amortised cost	4,329,580	–
FVTPL		
Non-derivative financial instruments	125,279	–
Derivative financial instruments	–	2,155
AFS investments	–	19,835
Financial liabilities		
Amortised cost	6,144,493	6,049,580
Derivative financial instruments	1,511	1,599

(b) Financial risk management objectives and policies

The Group's major financial instruments include other non-current assets, restricted bank deposit, trade and bills receivables, other receivables, financial assets at FVTPL, AFS investments, derivative financial instruments, bank balances, trade and bills payables, other payables, liability component of convertible bonds 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.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk

(i) Currency risk

Certain subsidiaries of the Group operate outside Hong Kong and usually have their local currency as their functional currency. In general, majority of the purchases and expenses of the Group are denominated in RMB while the sales are denominated in HK$ or US$. During the year ended 31 March 2018, the Group entered into certain forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB and US$. The contracts are settled during the year ended 31 March 2019.

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

	Liabilities		Assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**70,690**	70,000	**3,706**	331
RMB	**–**	–	**27,559**	30,368

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 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:

	2019	2018
	HK$'000	HK$'000
Gain (loss) in relation to:		
RMB	**1,151**	1,268
HK$	**(2,512)**	(2,909)

43. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis *(continued)*

As set out in Note 28, as at 31 March 2018, the Group had outstanding structured foreign currency forward contracts which also expose the Group to currency fluctuation risks.

All structured foreign currency forward contracts are to hedge the rise of RMB against US$. Based on the terms of these contracts, if at 31 March 2018, (i) RMB had weakened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2018 would have been reduced by HK$9,971,000 and (ii) RMB had strengthened against US$ by 5% and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2018 would have been increased by HK$8,891,000. 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. The contracts are settled during the year ended 31 March 2019.

(ii) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risk in relation to variable-rate bank deposits and balances, bills payables and bank borrowings (see Notes 29, 30 and 33 for details) and fixed-rate convertible bonds (see Note 35 for details). The management monitors interest rate exposure and considers hedging significant interest rate exposure. The Group has entered into interest rate swap and interest rate collars (see Note 28) which, however, are not qualified for applying hedge accounting.

All bank borrowings (Note 33) carry variable-rates interest determined by reference to the prevailing market rate.

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

43. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease by HK$14,263,000 (2018: HK$15,675,000) or increase by HK$14,263,000 (2018: HK$10,324,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank balances, bank borrowings, interest rate swap and interest rate collars.

Credit risk and impairment assessment

As at 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model under application of HKFRS 9 (2018: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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

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

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

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

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

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

Financial assets at amortised cost

2019	Note	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Trade receivables	25	(note ii)	Lifetime ECL (provision matrix)	**1,848,763**
		Loss	Credit-impaired	**6,362**
Bank balances	29	Low risk	12m ECL	**2,454,951**
Restricted bank deposit	19	Low risk	12m ECL	**6,418**
Bills receivables	25	(note i)	12m ECL	**1,140**
Other receivables	27	(note i)	12m ECL	**24,670**

notes:

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

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Financial assets at amortised cost (continued)

notes: *(continued)*

(ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its knitted fabric and dyed yarn and garment products respectively. The following tables provide information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit-impaired). Debtors that are credit-impaired with gross carrying amounts of HK$6,362,000 as at 31 March 2019 were assessed individually.

Gross carrying amount assessed based on provision matrix

Knitted fabric and dyed yarn

Internal credit rating	Average loss rate	Trade receivables HK$'000
Low risk	0.56%	1,804,090
		1,804,090

Garment products

Internal credit rating	Average loss rate	Trade receivables HK$'000
Low risk	0.56%	44,673
		44,673

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

43. FINANCIAL INSTRUMENTS *(continued)*

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

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$'000	Carrying amount at 31 March 2019 HK$'000
2019							
Non-derivative financial liabilities							
Trade, bills and other payables	–	219,734	212,278	184,889	834	617,735	617,735
Bank borrowings	2.50%	2,125,193	279,045	294,147	2,579,434	5,277,819	5,137,147
Convertible bonds	10.40%	–	414,658	–	–	414,658	389,611
		2,344,927	905,981	479,036	2,580,268	6,310,212	6,144,493
Derivative – net settlement							
Interest rate swap		–	201	512	830	1,543	1,511

43. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2018 HK$'000
2018							
Non-derivative financial liabilities							
Trade, bills and other payables	–	157,076	229,465	115,930	–	502,471	502,471
Bank borrowings	2.29%	2,211,457	87,782	6,144	3,085,132	5,390,515	5,177,305
Convertible bonds	10.40%	–	434,658	–	–	434,658	369,804
		2,368,533	751,905	122,074	3,085,132	6,327,644	6,049,580
Derivative – net settlement							
Interest rate swap		–	250	514	879	1,643	1,599

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 2019, the aggregate outstanding principal amounts of these bank loans amounted to HK$2,074,248,000 (2018: HK$2,116,425,000) 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.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk (continued)

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

	Weighted average effective interest rate	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2019							
Bank borrowings	**2.70%**	**898,629**	**685,840**	**410,040**	**101,774**	**2,096,283**	**2,074,248**
2018							
Bank borrowings	2.54%	954,823	438,409	622,663	119,337	2,135,232	2,116,425

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

(c) Fair value measurement of financial instruments

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

Fair value of financial instruments that are measured at amortised cost

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

43. FINANCIAL INSTRUMENTS *(continued)*

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

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

The Group's derivative financial instruments and financial assets at FVTPL (2018: unlisted trust fund classified as available-for-sale investments) are measured at fair value at the end of each reporting period. The Group's financial assets at FVTPL of HK$125,279,000 at 31 March 2019 (2018: unlisted trust fund classified as available-for-sale investments of HK$2,335,000 and other non-current assets of HK$114,775,000) is measured based on quoted price from financial institutions. The valuation technique uses observable and unobservable inputs. As the changes in any of those observable or unobservable inputs in the valuation would not lead to significant impact to the financial results of the Group, fair value hierarchy, key inputs used in the valuation technique and sensitivity of the fair value measurement to change in those inputs are not presented. The following table gives information about how the fair values of derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value as at 31 March 2019	Fair value as at 31 March 2018	Fair value hierarchy	Valuation technique and key inputs
Structured foreign currency forward contracts classified as derivative financial instruments (note i)	**N/A**	Asset — HK$920,000 (Not designated for hedging)	Level 3	Monte Carlo Simulation Model The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, notional amount, payout amount for each settlement, risk-free rate of US$ and RMB and the average implied volatility of the exchange rate as at valuation date
Interest rate collars classified as derivative financial instruments (note ii)	**Nil**	Asset — HK$1,235,000 (Not designated for hedging)	Level 3	Discounted cash flow method and Black-Scholes Model The key inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity, risk-free rate and the average implied volatility of the interest rate as at valuation date
Interest rate swap classified as derivative financial instruments (note iii)	**Liability — HK$1,511,000 (Not designated for hedging)**	Liability — HK$1,599,000 (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

43. FINANCIAL INSTRUMENTS *(continued)*

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

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

notes:

(i) For the year ended 31 March 2018, 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 increased/decreased by HK$69,000/HK$54,000 respectively.

(ii) The higher the average implied volatility of the interest rate used, the lower the fair value. Changes in the average implied volatility of the interest rate used will have insignificant impact on the fair value of the interest rate collars.

(iii) The discounted cash flow method uses only observable market inputs.

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

Fair value hierarchy

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

	31 March 2018			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Derivative financial instruments	–	–	2,155	2,155
AFS investments				
Unlisted trust fund	–	2,335	–	2,335
Financial liabilities				
Derivative financial instruments	–	1,599	–	1,599

43. FINANCIAL INSTRUMENTS *(continued)*

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

Reconciliation of Level 3 fair value measurements of financial assets

	Structured foreign currency forward contracts HK$'000	Interest rate collars HK$'000	Total HK$'000
At 1 April 2017	(151,037)	(797)	(151,834)
Amount paid during the year	64,791	—	64,791
Fair value gain (note)	87,166	2,032	89,198
At 31 March 2018	920	1,235	2,155
Amount paid during the year	1,549	—	1,549
Fair value loss (note)	(2,469)	(1,235)	(3,704)
At 31 March 2019	**—**	**—**	**—**

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

Fair value measurements and valuation process

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

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

The Group engages Roma, an independent qualified professional valuer not connected with the Group, to perform the valuations of the structured foreign currency forward contracts, interest rate collars and interest rate swap required for financial reporting purposes, including Level 2 and 3 fair value measurements of financial instruments. As a part of the valuation process, the Financial Controller reports the findings to the board 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.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable HK$'000	Bank borrowings HK$'000 (note i)	Convertible bonds HK$'000 (note ii)	Total HK$'000
At 1 April 2017	191	5,052,066	—	5,052,257
Financing cash flows	—	162,094	397,538	559,632
Operating cash flow (note iii)	—	(50,358)	—	(50,358)
Non-cash changes				
Interest accrued of convertible bonds	—	—	9,351	9,351
Equity component of convertible bonds	—	—	(37,085)	(37,085)
Exchange difference	—	13,503	—	13,503
At 31 March 2018	191	5,177,305	369,804	5,547,300
Financing cash flows	(32,865)	(69,306)	(20,000)	(122,171)
Operating cash flow (note iii)	—	36,156	—	36,156
Non-cash changes				
Interest accrued of convertible bonds	—	—	39,807	39,807
2018 final dividend declared	32,865	—	—	32,865
Others	(2)	—	—	(2)
Exchange difference	—	(7,008)	—	(7,008)
At 31 March 2019	**189**	**5,137,147**	**389,611**	**5,526,947**

notes:

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

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

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

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2019 and 2018 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 2019	Attributable to the Group 2018	Held by the Company 2019	Held by the Company 2018	Held by subsidiaries 2019	Held by subsidiaries 2018	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 iv)	British Virgin Islands	Ordinary US$100	51	51	–	–	100	100	Investment holding
FG International (note iv)	Hong Kong	Ordinary HK$5,000,000	51	51	–	–	100	100	Trading of garment products
Global Honour Investments Limited	British Virgin Islands	Ordinary US$1	100	100	–	–	100	100	Investment holding
Grace Link Enterprises Limited	Hong Kong	Ordinary HK$10	100	100	–	–	100	100	Provision of management services
PT. Victory Apparel Semarang (note iv and v)	Indonesia	Ordinary US$300,000	–	51	–	–	–	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 iv)	Macau	MOP100,000	51	51	–	–	100	100	Procurement of fabric
VC Company	Hong Kong	Ordinary HK$10 Deferred HK$8,000,000 (note i)	100	100	–	–	100	100	Trading of knitted fabric
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

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage: Attributable to the Group 2019	Attributable to the Group 2018	Held by the Company 2019	Held by the Company 2018	Held by subsidiaries 2019	Held by subsidiaries 2018	Principal activities
江門市新會區冠華針織廠有限公司 (note iii)	PRC	US$57,694,165	100	100	–	–	100	100	Knitting, dyeing and finishing of fabric
江門錦豐科技纖維有限公司 (note iii)	PRC	US$8,230,182	100	100	–	–	100	100	Dyeing of yarn and provision of related subcontracting services
Jiangmen V-Apparel Manufacturing Ltd. (notes iii and iv)	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 iv)	PRC	Registered RMB1,000,000	51	51	–	–	100	100	Trading of garment products and accessories
江門市冠達化工科技有限公司 (note iii)	PRC	Verified paid up registered approximate to RMB46,000,000	90	90	–	–	90	90	Mixing of chemicals
Nanjing Synergy 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 of the Company, 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 companies are subsidiaries of Sure Strategy, over which the Company has indirect control.

(v) The company was a subsidiary of Surefaith Limited and was disposed on 21 February 2019. Details of the disposal of the subsidiary are set out in Note 36.

None of the subsidiaries had any debt securities subsisting at 31 March 2019 and 2018 or at any time during the years.

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 23 (2018: 25) inactive/dormant subsidiaries. To give details of these inactive/dormant subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

45. 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		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
Sure Strategy	British Virgin Islands	**49%**	49%	**(13,194)**	(10,417)	**37,079**	50,670
Individually immaterial subsidiaries with non-controlling interests				**289**	(521)	**(11,607)**	(11,381)
				(12,905)	(10,938)	**25,472**	39,289

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.

Sure Strategy

	2019	2018
	HK$'000	HK$'000
Current assets	**180,506**	197,011
Non-current assets	**136,546**	149,967
Current liabilities	**310,344**	312,119
Non-current liabilities	**5,321**	5,758
Equity attributable to owners of the Company	**(18,204)**	(3,961)
Non-controlling interests	**37,079**	50,670
Non-controlling interests of Group's subsidiaries	**(17,488)**	(17,608)
Revenue	**391,064**	436,582
Expenses, other income and other gains or losses	**(417,968)**	(458,709)

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Sure Strategy *(continued)*

	2019	2018
	HK$'000	HK$'000
Loss for the year	**26,904**	22,127
Other comprehensive expense (income) for the year	**810**	(7,201)
Total comprehensive expense for the year	**27,714**	14,926
Loss for the year attributable to the owners of the Company	**13,829**	10,849
Loss for the year attributable to non-controlling interests	**13,194**	10,417
(Profit) loss for the year attributable to non-controlling interests of Group's subsidiaries	**(119)**	861
Other comprehensive expense (income) attributable to the owners of the Company	**414**	(3,706)
Other comprehensive expense (income) attributable to non-controlling interests	**397**	(3,561)
Other comprehensive (income) expense attributable to non-controlling interests of Group's subsidiaries	**(1)**	66
Total comprehensive expense for the year attributable to the owners of the Company	**14,243**	7,143
Total comprehensive expense for the year attributable to the non-controlling interests	**13,591**	6,856
Total comprehensive (income) expense for the year attributable to the non-controlling interests of Group's subsidiaries	**(120)**	927
Dividends paid to non-controlling interests of Group's subsidiaries	**–**	10,780

46. INFORMATION OF FINANCIAL POSITION OF THE COMPANY

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

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investment in subsidiaries	2,655,406	2,655,406
Amounts due from subsidiaries	1,153,113	1,125,208
Property, plant and equipment	–	178
	3,808,519	3,780,792
Current assets		
Deposits, prepayment and other receivables	2,447	2,381
Amounts due from subsidiaries	1,839,594	1,476,056
Tax recoverable	–	142
Bank balances	577	1,453
	1,842,618	1,480,032
Current liabilities		
Other payables	22,950	9,215
Amounts due to subsidiaries	211,302	211,302
Dividend payable	189	189
Taxation payable	120	–
Convertible bonds	389,611	369,804
	624,172	590,510
Net current assets	1,218,446	889,522
Net assets	5,026,965	4,670,314
Capital and reserves		
Share capital	51,794	50,317
Share premium and reserves (note)	4,975,171	4,619,997
Total equity	5,026,965	4,670,314

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

note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds equity reserve HK$'000	Share option reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2017	2,845,422	39	–	45,738	–	1,385,155	4,276,354
Profit for the year	–	–	–	–	–	157,410	157,410
Lapsed of share option	–	–	–	(24,492)	–	24,492	–
Issue of new shares (Note 34)	149,148	–	–	–	–	–	149,148
Recognition of equity component of convertible bonds (Note 35)	–	–	37,315	–	–	–	37,315
Transaction cost attributable to issue of convertible bonds (Note 35)	–	–	(230)	–	–	–	(230)
At 31 March 2018	2,994,570	39	37,085	21,246	–	1,567,057	4,619,997
Profit for the year	–	–	–	–	–	389,516	389,516
2018 Final dividend declared (Note 11)	–	–	–	–	50,317	(50,317)	–
Issue of shares under scrip dividend for 2018 final dividend	15,975	–	–	–	(17,452)	–	(1,477)
Dividends paid in cash	–	–	–	–	(32,865)	–	(32,865)
At 31 March 2019	**3,010,545**	**39**	**37,085**	**21,246**	**–**	**1,906,256**	**4,975,171**

47. EVENTS AFTER THE REPORTING PERIOD

The following events took place after the reporting period:

(i) On 18 April 2019, the Company allotted 2,589,706,603 Shares at a price of HK$0.098 each, in connection with the rights issue on the basis of one rights Share for every two existing Shares held on 15 March 2019, with net proceeds amounting to approximately HK$249,291,000.

(ii) On 18 April 2019, an aggregate of 405,100,844 share options were granted under 2011 Scheme to eligible participants of the Group. These share options have an exercise price of HK$0.1002 per Share. The options has a term of five years commencing from 18 April 2019; or until the early termination of the options in accordance with the 2011 Scheme. The price of the Company's Shares at the date of grant was HK$0.098 per Share. Among the total 405,100,844 share options granted, 73,198,431 share options were granted to the Directors and a family member of a Director.

(iii) On 26 April 2019, the Company and the subscribers accepted to redeem the existing convertible bonds in the principal amount of HK$400,000,000 by way of issuance of new convertible bonds in an aggregate principal amount of HK$400,000,000. The initial conversion price is HK$0.106 per conversion Share and the new convertible bonds bear interest from and including the issue date at the rate of 5% per annum payable semi-annually.

(iv) On 21 June 2019, an ordinary resolution was passed by the Shareholders at a special general meeting of the Company to consolidate every ten issued and unissued Share with par value of HK$0.01 each into one consolidated Share with par value of HK$0.10 each. The share consolidation became effective on 24 June 2019 and 7,769,119,810 shares in the issued share capital of the Company were consolidated into 776,911,981 consolidated Shares.

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