



TOP FORM
INTERNATIONAL LIMITED

STOCK CODE: 333

ANNUAL REPORT
2014



Contents

	Page(s)
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
CORPORATE GOVERNANCE REPORT	6
DIRECTORS' REPORT	37
INDEPENDENT AUDITOR'S REPORT	49
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	50
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	51
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	52
STATEMENT OF FINANCIAL POSITION	54
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	55
CONSOLIDATED STATEMENT OF CASH FLOWS	56
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	58
FIVE YEAR FINANCIAL SUMMARY	108

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Fung Wai Yiu, *Chairman* ⁽³⁾
Mr. Wong Chung Chong, Eddie,
Group Managing Director ⁽³⁾
Mr. Wong Kai Chi, Kenneth
Mr. Wong Kai Chung, Kevin

NON-EXECUTIVE DIRECTORS

Mr. Lucas A.M. Laureys
Mr. Herman Van de Velde ⁽²⁾⁽³⁾

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Marvin Bienenfeld ⁽¹⁾⁽²⁾⁽³⁾
Mr. Chow Yu Chun, Alexander ⁽¹⁾⁽³⁾
Ms. Leung Churk Yin, Jeanny ⁽¹⁾⁽²⁾⁽³⁾
Mr. Leung Ying Wah, Lambert ⁽¹⁾⁽²⁾⁽³⁾
Mr. Lin Sun Mo, Willy ⁽¹⁾⁽³⁾

COMPANY SECRETARY

Ms. Leung Yim Yu

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Nomination Committee

PRINCIPAL OFFICE

15/F., Tower A,
Manulife Financial Centre,
No. 223–231 Wai Yip Street, Kwun Tong,
Kowloon, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Fung Wai Yiu
Mr. Wong Chung Chong, Eddie

PRINCIPAL BANKERS

Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITOR

KPMG

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CHAIRMAN'S STATEMENT

2013/2014 was a year of turnaround for us. The Group resumed its earning performance and recorded an after-tax profit of HK\$39 million on a sales revenue of HK\$1,132 million.

The profit included a gain of HK\$18.5 million on the disposal of the small warehouse properties in Tuen Mun. We decided to divest the asset as we see no use of it in the future plan of our business.

Having considered our cash position and cash needs, your board proposes a final dividend of HK\$0.05 per share and a special dividend of HK\$0.05 per share for the fiscal year ended 30 June 2014.

Our improved business result is not indicative of the market situation, which has remained lackluster at best. Consumer behavior in our major markets has turned cautious since the debt crisis and spending continues to be price driven. At Top Form we have largely repositioned ourselves in terms of capacity mix between China and overseas production with an objective to take on the changes in the market and the challenges in the operating environment in China.

Specifically during the year, we further expanded our Thailand operations and lowered the proportion of the China output from 55% recorded in the preceding year to 47% of our global capacity. The Cambodia capacity was held largely unchanged at 6% due to the labor and social unrests that took place in the country. The moves allowed for us to lower our overall manufacturing costs and to replace the shrinking headcounts in China where factory operators have been increasingly difficult to recruit.

Looking ahead, we see causes for concern in the economy. The military conflicts in Ukraine which have led to trade sanctions between the EU and Russia, the movement of interest rates, and the threat of Ebola. All these could deteriorate the already soft market and hurt business. The consolidations lately seen in both the US and the EU markets have left fewer customers in the trade, and may lead to even stronger competitions among suppliers.

At Top Form we are thankful to our stated strategy that has brought us positive results but we are also mindful of the challenges confronting us. We will cautiously continue to build capacity outside of China for cost benefits and to maintain the existing China capacity for skill demanding products. We are in the process of building a factory in Myanmar which is scheduled for completion in September and operation in the 4th quarter of this calendar year. This new factory is located in close proximity to our plants in Thailand and it is structured as a satellite plant of our Thailand operations. The scale of it is relatively small at the outset but it is provisioned for full-fledged expansion upon satisfactory performance. Our EU customers are supportive of our move because they could enjoy duty free imports from Myanmar.

On the sales front, we may expect a short period of market uncertainties before the dust of consolidations settles down. However, I am confident that Top Form will continue to be the supplier of choice to customers because of our scale, product capabilities, diversity of manufacturing locations and most importantly, our proven performance of being a reliable business partner.

This is the last time I address our shareholders from my capacity as the Chairman of the Group. As announced, I will retire from my current role and be re-designated as non-executive director upon the completion of the upcoming Annual General Meeting to be held in October. Eddie Wong, Group Managing Director, will take over my position in addition to his current role. Mr. Wong is a co-founder of the Group; he is the most knowledgeable and experienced brassiere maker I know in the industry and he is instrumental in building the Company to be one of the largest producers in the brassiere trade. While we have put in place a succession plan and identified the candidates to rejuvenate the management of the Group, Mr. Wong's assumption of the Chairman role in the interim would ensure stability and a smooth transition.

I want to take this opportunity to thank our employees for their hard work and contributions, and our business partners for their support given to the Group and me.

Fung, Wai Yiu
Chairman

27 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operational focus is in its core Manufacturing activity, together with a Corporate cost centre.

	Revenue		Profit (loss/expenses)	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000 (Restated)
Manufacturing	1,131,696	1,054,451	60,112	12,523
Corporate	-	-	(14,239)	(14,940)
	1,131,696	1,054,451	45,873	(2,417)

For the year ended 30 June 2014, the Group recorded sales revenue of HK\$1,132 million, representing an increase of 7% compared to HK\$1,054 million of sales revenue in fiscal 2013. The Group has successfully turnaround the loss of HK\$2.4 million recorded in fiscal 2013 to a profit of HK\$45.9 million in the current year. After tax profit was HK\$39.3 million compared to a loss of HK\$4 million in previous year.

MANUFACTURING

Our core OEM business recorded global sales of 33.5 million units of ladies' intimate apparel products, mainly brassieres, compared to 29.6 million units in 2013, representing an increase of 13% in sales volume as compared to the preceding year.

Our first half accounted for 15.6 million units compared to 15.1 million units in 2013. In our second half we sold 17.9 million units compared to 14.5 million units in 2013.

In monetary terms, 53% of our sales were to the US market compared to 49% in the previous year. The EU accounted for 29% (29% in the previous year) and the rest of the world 18% (22% in the previous year). The markets continued to be challenging and price sensitive as reflected from the modest decline in the average selling price.

In the fiscal year, China accounted for 47% (2013: 55%) of our global output, Thailand 47% (2013: 40%) and Cambodia 6% (2013: 5%). The capacity ratio of China versus Overseas has changed from 55% : 45% in fiscal 2013 to 47% : 53% in current year.

Gross margin was 18% for the year compared to 17% in the previous year. On a half yearly basis, the gross margin improved from 17% in the first half to 19% in the second half of fiscal 2014. The capacity and productivity buildup of our Thailand plants is encouraging. This, together with the weakening of Thai Baht against US dollar has a positive impact on the cost efficiency of the Group's operations. Our performance is also aided by the relatively stabilized environment in China and Thailand where minimum wage levels remained unchanged during the year. Material prices remained stable.

Both the selling and distribution expenses and general and administrative expenses declined during the year as a result of our continuous efforts in controlling costs in all area of the Group's business.

The massive street demonstrations driven by political disputes in Thailand did not affect our operations in this country. We will continue to build up the capacity and productivity in our Thailand plants according to our stated strategic plan.

MANAGEMENT DISCUSSION AND ANALYSIS

In Cambodia, the disputes between the government and the labour unions had caused hiccups in our local operations during the year. As a compromise after massive street demonstrations and factory strikes, both parties agreed to hold off until 2015 on raising the statutory minimum wage. New minimum wage level will be decided in the last quarter of year 2014 before it goes into effect at the beginning of 2015. Whilst the labour situation appears to be stabilized, we are taking a conservative approach on further development in this country. We will focus on optimizing the cost efficiency of our Cambodian plant with the existing workforce and freeze hiring for now. Meanwhile, pending the impact of the new statutory minimum wage, we shall review our opportunities and options with our operations in this country.

Following our strategy to seek for low cost capacity expansion outside China, the Group towards the end of the fiscal year has begun to set up a new facility in Myanmar located in close proximity to our existing Thailand plants on the border. This new facility is expected to be operational in the 4th quarter of calendar year 2014.

FINANCIAL POSITION

The financial position of the Group remains healthy with shareholders' funds standing at HK\$557 million as at 30 June 2014 compared with HK\$500 million at the previous year end. Bank balances and cash stood at HK\$129 million whilst credit facilities available to the Group amounted to HK\$147 million and gearing remained at an insignificant level.

In February 2014, the Group disposed of the small warehouse facility in Tuen Mun that had been left vacant for some time and recognized a gain of approximately HK\$18.5 million for the year.

During the year, we have rented out additional self-owned properties in Shenzhen and Hong Kong. The properties are reclassified as investment properties and revalued by an external professional valuer at a fair value of approximately HK\$42.5 million, of which HK\$32.7 million (net of tax) is credited to the asset revaluation reserve.

Capital expenditure during the year amounted to HK\$16.6 million compared to HK\$20.3 million in the previous year.

CORPORATE

The costs attributable to our corporate cost centre for the year amounted to HK\$14.2 million as compared to HK\$14.9 million in the previous year.

OUTLOOK

The operating environment in Asia will continue to be difficult in particular for manufacturing companies. Minimum wages and the mandated social benefit rate further increase in some provinces of the PRC effective from July 2014. Statutory minimum wage in Cambodia is anticipated to increase in January of the coming year.

In light of the volatile economic outlook and the soft market, our business plan focuses on securing production orders to fill our diversified plant capacities, seeking to lower the cost structure of the manufacturing bases as well as improving the cost efficiency of the Group's operations in order to sustain the profitability of our business.

Wong Chung Chong, Eddie

Group Managing Director

27 August 2014

CORPORATE GOVERNANCE REPORT

The Group continues to commit itself to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability and ensuring the application of these principles and practices within the Group and thereby, enhancing shareholders value and benefiting our stakeholders at large.

The Company has, throughout the year under review, complied with the code provisions (“Code Provisions”) as set out in the Corporate Governance Code, Appendix 14 to the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) except for the following deviations:

- A.4.1 — Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company’s Bye-laws.
- A.4.2 — The Chairman and the Group Managing Director are not, while holding such office, subject to retirement by rotation or taken into account in determining the number of Directors to retire in each year. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in these roles and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.

The Board is pleased to present the key corporate governance principles and practices followed by the Company during the year.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																		
A A.1	<p>DIRECTORS</p> <p>The Board</p> <p>Code Principle</p> <p>The Board should assume responsibility for leadership and control of the issuer; and be responsible for directing and supervising the company’s affairs. The Board should take decisions objectively in the best interests of the issuer, and should regularly review the contribution required from a director to perform his responsibilities to the Company.</p>																				
A.1.1	<ul style="list-style-type: none"> • Regular board meetings at least four times a year. 		<ul style="list-style-type: none"> • The Board held 4 regular meetings during the year. • Details of Directors’ attendance records are set out below: <table style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Fung Wai Yiu (<i>Chairman</i>)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Chung Chong, Eddie (<i>Group Managing Director</i>)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Kai Chi, Kenneth</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Kai Chung, Kevin</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th style="text-align: left;"><u>Non-executive Directors</u></th> <th></th> </tr> <tr> <td>Lucas A.M. Laureys</td> <td style="text-align: right;">1/4</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">2/4</td> </tr> </tbody> </table> 	<u>Executive Directors</u>	<u>Attendance</u>	Fung Wai Yiu (<i>Chairman</i>)	4/4	Wong Chung Chong, Eddie (<i>Group Managing Director</i>)	4/4	Wong Kai Chi, Kenneth	4/4	Wong Kai Chung, Kevin	4/4	 		<u>Non-executive Directors</u>		Lucas A.M. Laureys	1/4	Herman Van de Velde	2/4
<u>Executive Directors</u>	<u>Attendance</u>																				
Fung Wai Yiu (<i>Chairman</i>)	4/4																				
Wong Chung Chong, Eddie (<i>Group Managing Director</i>)	4/4																				
Wong Kai Chi, Kenneth	4/4																				
Wong Kai Chung, Kevin	4/4																				
<u>Non-executive Directors</u>																					
Lucas A.M. Laureys	1/4																				
Herman Van de Velde	2/4																				

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company												
			<p><i>Independent</i></p> <table border="0"> <tr> <td><i>Non-executive Directors</i></td> <td><i>Attendance</i></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td>4/4</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td>4/4</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td>4/4</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td>4/4</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td>4/4</td> </tr> </table> <p>* Mr. Wong Chung Chong, Eddie is the father of Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin. Mr. Wong Kai Chi, Kenneth is the elder brother of Mr. Wong Kai Chung, Kevin.</p>	<i>Non-executive Directors</i>	<i>Attendance</i>	Marvin Bienenfeld	4/4	Chow Yu Chun, Alexander	4/4	Leung Churk Yin, Jeanny	4/4	Leung Ying Wah, Lambert	4/4	Lin Sun Mo, Willy	4/4
<i>Non-executive Directors</i>	<i>Attendance</i>														
Marvin Bienenfeld	4/4														
Chow Yu Chun, Alexander	4/4														
Leung Churk Yin, Jeanny	4/4														
Leung Ying Wah, Lambert	4/4														
Lin Sun Mo, Willy	4/4														
A.1.2	<ul style="list-style-type: none"> All directors be given an opportunity to include matters in the agenda for regular board meetings. 	✓	<ul style="list-style-type: none"> Regular Board meetings are scheduled at least 3 months in advance to give Directors the opportunity to include matters in the agenda. 												
A.1.3	<ul style="list-style-type: none"> Notice of at least 14 days be given for regular board meetings. 	✓	<ul style="list-style-type: none"> At least 14 days formal notice is given before each regular meeting. 												
A.1.4	<ul style="list-style-type: none"> Minutes of board meetings and board committee meetings should be kept by a duly appointed secretary of the meeting and open for inspection by directors. 	✓	<ul style="list-style-type: none"> The Company Secretary is responsible for taking minutes of Board meetings and Board Committee meetings. Such minutes are open for inspection by Directors. 												
A.1.5	<ul style="list-style-type: none"> Minutes should record in sufficient detail the matters considered and decisions reached. Draft and final version of minutes should be sent to all directors for comments within a reasonable time. 	✓	<ul style="list-style-type: none"> Minutes recorded in sufficient detail matters considered and decisions reached. Directors are given an opportunity to comment on draft Board minutes which are sent to Directors within a reasonable time (generally within 14 days) of the relevant meeting. The signed Board minutes are placed on record after the same have been reviewed and agreed amongst the Board members. 												

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.1.6	<ul style="list-style-type: none"> Agreed procedure for directors to seek independent professional advice at the company's expense. 	✓	<ul style="list-style-type: none"> Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company if the Company Secretary considers that such seeking of advice is necessary and appropriate.
A.1.7	<ul style="list-style-type: none"> If a substantial shareholder or a director has a conflict of interest in a material matter, a physical board meeting be held. Independent non-executive directors who have no material interest in the transaction be present at such meeting. 	✓	<ul style="list-style-type: none"> There is a prescribed list of matters reserved for Board decision which includes matters involving a conflict of interest for a substantial shareholder or Director. The Company's Bye-laws provide for voting and quorum requirements conforming with Code Provisions. Such matters are considered and approved by the full Board except those Directors who have conflict of interests in such matters.
A.1.8	<ul style="list-style-type: none"> Appropriate insurance cover in respect of legal action against directors. 	✓	<ul style="list-style-type: none"> There is in place appropriate insurance cover for Directors' and Officers' liability.
A.2	<p>Chairman and Chief Executive Code Principle There should be a clear division of responsibilities between the Chairman and the Chief Executive of the issuer to ensure a balance of power and authority.</p>		
A.2.1	<ul style="list-style-type: none"> Roles of chairman and chief executive should be separated and performed by separate individuals. Division of responsibilities between chairman and chief executive should be clearly established and set out in writing. 	✓	<ul style="list-style-type: none"> The positions of the Chairman and the Group Managing Director are held by separate individuals. The Chairman focuses on Group strategic and Board issues. The Group Managing Director has overall Chief Executive responsibility for Group operations and development generally.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.2.2	<ul style="list-style-type: none"> The chairman should ensure that all directors are properly briefed on issues arising at board meetings. 	✓	<ul style="list-style-type: none"> The Chairman, with the support of the Group Managing Director and the Company Secretary, has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities. Board meetings are structured to encourage open discussion and frank debate.
A.2.3	<ul style="list-style-type: none"> The chairman should be responsible for ensuring that directors receive adequate information, which is accurate, clear, complete and reliable in a timely manner. 	✓	<ul style="list-style-type: none"> Board papers are normally sent to Directors at least three days before Board meetings.
A.2.4 to A.2.9	<p>Important roles for chairman including:</p> <ul style="list-style-type: none"> Drawing up and approving agenda for each board meeting. Ensuring establishment of good corporate governance practices and procedures. Encouraging all directors to make a full and active contribution to Board affairs, voice their concerns with different views and ensure the board decisions fairly reflected board consensus. Holding meeting with non-executive directors and promoting a culture of openness and debate by facilitating effective contribution of non-executive directors. Ensuring effective communication between the Board and shareholders. 	✓	<ul style="list-style-type: none"> The Chairman, together with the Company Secretary, draws up agenda for each Board meeting after consultation with the relevant parties. The Chairman will also include in the agenda any matters proposed by other Directors. The Chairman plays a key role in driving corporate governance development and a leading role in the corporate governance function held by the Board. A Board calendar of meeting dates is normally planned prior to the beginning of a fiscal year. All Directors take active interest in Company affairs and participated in Board meetings with open discussions for contribution to the Company. The Chairman meets with Non-executive Directors (including Independent Non-executive Directors) at least annually. They participate in Board meetings with open discussions and bring independent judgments and constructive comments to the Board. General meetings are held at least once a year in which the Chairman and the Group Managing Director are present to answer any questions from shareholders. During the year under review, two general meetings were held at which, the Chairman, the Group Managing Director and the other majority Board members were present to answer questions from shareholders. Shareholders can also access the Company's latest information by visiting the Company's website (www.topformbras.com). The Company has also set up procedures where shareholders can send enquiries and concerns to the Board and such procedures and other policies concerning shareholders communication and shareholders' rights of the Company are available for review on the Company's website.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.3	<p>Board Composition</p> <p>Code Principle</p> <p>The board should have a balance of skills, experience and diversity of perspective appropriate to the requirements of the business of the issuer and shall include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgments can effectively be exercised.</p>		
A.3.1	<ul style="list-style-type: none"> Independent non-executive directors should be identified in all corporate communications that disclose the names of directors. 	✓	<ul style="list-style-type: none"> The composition of the Board represents a well balanced mixture of skills and experience appropriate for the requirements of the business of the Company. Review of the Board composition is made regularly by the nomination committee. The composition of the Board by category is disclosed in all corporate communications and the updated biographical details of the Directors are set out in annual reports under the section headed “Biographical Details of Directors and Senior Management” and on the website of the Company (www.topformbras.com).
A.3.2	<ul style="list-style-type: none"> Maintain on the website an updated list of directors identifying their role and function and whether they are independent non-executive directors. 	✓	<ul style="list-style-type: none"> Biographies and designations of Directors are set out in annual reports under the section headed “Biographical Details of Directors and Senior Management” and also published on the Company’s website and are updated when required. A list of names of Directors and their roles and functions is also published on the HKExnews website (www.hkexnews.hk) and the Company’s website.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.4	<p>Appointments, Re-election and Removal</p> <p>Code Principle</p> <p>These should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals.</p>		
A.4.1	<ul style="list-style-type: none"> Non-executive directors should be appointed for a specific term and subject to re-election. 	<i>Deviation explained</i>	<ul style="list-style-type: none"> Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company's Bye-laws.
A.4.2	<ul style="list-style-type: none"> All directors appointed to fill a casual vacancy should be subject to election by shareholders at the next general meeting after their appointment. 	✓	<ul style="list-style-type: none"> In accordance with the Company's Bye-laws, newly appointed Directors to fill casual vacancies are required to offer themselves for re-election at the next general meeting following their appointments.
	<ul style="list-style-type: none"> Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. 	<i>Deviation explained</i>	<ul style="list-style-type: none"> Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if the number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office. The Chairman and the Group Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. <p>In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the roles of Chairman and Group Managing Director and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.</p>
A.4.3	<ul style="list-style-type: none"> Election of an independent non-executive director serving more than nine years. Include reason why considered to be independent and why should be re-elected. 	✓	<ul style="list-style-type: none"> Each of the Independent Non-executive Directors of the Company will confirm annually his/her independence pursuant to Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. Mr. Chow Yu Chun, Alexander, an Independent Non-executive Director of the Company since 1993, will be subject to retirement by rotation and offer himself for re-election at the forthcoming annual general meeting ("AGM"). The Board has expressed its view on Mr. Chow's independence in a circular in relation to, among other matters, the re-election of Retiring Directors at the AGM for shareholders' consideration.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																										
A.5	Nomination Committee																												
A.5.1 to A.5.3	<ul style="list-style-type: none"> The Company should establish a nomination committee which is chaired by the Chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors. Written terms of reference specifying its authority and duties should be published on Hong Kong Stock Exchange's and the Company's website. 		<ul style="list-style-type: none"> The Company established a Nomination Committee in February 2012, comprising Fung Wai Yiu, Wong Chung Chong, Eddie, Herman Van de Velde, Marvin Bienenfeld, Chow Yu Chun, Alexander, Leung Churk Yin, Jeanny, Leung Ying Wah, Lambert and Lin Sun Mo, Willy, representing a majority of Independent Non-executive Directors. Written terms of reference which follows closely the requirements of the Code Provisions have been adopted by the Board and are available for review on HKExnews website and the Company's website. During the year under review, two nomination committee meetings were held to discuss and consider the following issues: <ul style="list-style-type: none"> The retirement and succession plan of Mr. Fung Wai Yiu, the Chairman of the Company; The adoption of Board Diversity Policy. Details of their attendance records at the meetings are set out below: <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Fung Wai Yiu (Chairman)</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Wong Chung Chong, Eddie (Group Managing Director)</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td><u>Non-executive Directors</u></td> <td></td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td><u>Independent Non-executive Directors</u></td> <td></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table> 	<u>Executive Directors</u>	<u>Attendance</u>	Fung Wai Yiu (Chairman)	2/2	Wong Chung Chong, Eddie (Group Managing Director)	2/2	 		<u>Non-executive Directors</u>		Herman Van de Velde	2/2	 		<u>Independent Non-executive Directors</u>		Marvin Bienenfeld	2/2	Chow Yu Chun, Alexander	2/2	Leung Churk Yin, Jeanny	2/2	Leung Ying Wah, Lambert	2/2	Lin Sun Mo, Willy	2/2
<u>Executive Directors</u>	<u>Attendance</u>																												
Fung Wai Yiu (Chairman)	2/2																												
Wong Chung Chong, Eddie (Group Managing Director)	2/2																												
<u>Non-executive Directors</u>																													
Herman Van de Velde	2/2																												
<u>Independent Non-executive Directors</u>																													
Marvin Bienenfeld	2/2																												
Chow Yu Chun, Alexander	2/2																												
Leung Churk Yin, Jeanny	2/2																												
Leung Ying Wah, Lambert	2/2																												
Lin Sun Mo, Willy	2/2																												

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.5.4	<ul style="list-style-type: none"> Nomination Committee should be provided with sufficient resources to perform its duties and should seek independent professional advice at the issuer's expense where necessary. 	✓	<ul style="list-style-type: none"> The Committee is authorized by the Board to seek outside legal or other independent professional advice where necessary. It may also secure the attendance of outsiders with relevant experience if it considers appropriate.
A.5.5	<ul style="list-style-type: none"> A proposal for election of an individual as independent non-executive director at the general meeting, the issuer should include in a circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reason why such individual to be considered as independent. 	✓	<ul style="list-style-type: none"> No appointment of independent non-executive director during the year under review.
A.5.6	<ul style="list-style-type: none"> The nomination committee should have a policy of board diversity 	✓	<ul style="list-style-type: none"> A Board Diversity Policy has been adopted by the nomination committee in August 2013. The main objective of the policy is to provide a guideline to the nomination committee in selecting candidates in terms of their merits and business and professional backgrounds to the Board with reference to the Company's existing and future business development needs.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.6	<p>Responsibilities of Directors</p> <p>Code Principle</p> <p>Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.</p>		
A.6.1	<ul style="list-style-type: none"> Every newly appointed director should receive a comprehensive, formal induction to ensure that he has a proper understanding of the issuer's operations and business; his responsibilities under the listing rules, applicable regulatory requirements, business and governance policies of the issuer. 	✓	<ul style="list-style-type: none"> The Chairman and Company Secretary will usually brief the newly appointed Director for the duties and responsibilities he/she may perform as a Director of the Company and other regulatory requirements he/she may observe. Directors are provided at quarterly Board meetings with comprehensive reports on the management's strategic plans, updates on business, financial objectives, plans and actions. The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements. <p>Memos or emails are issued from time to time to keep Directors up to date with changes in Listing Rules and other regulations relevant to Directors in the discharge of their duties.</p>
A.6.2	<ul style="list-style-type: none"> Function of non-executive directors include: <ul style="list-style-type: none"> participate in board meetings and bring an independent judgment to the board take the lead where potential conflicts of interest arise serve on board committees if invited scrutinise the issuer's performance 	✓	<ul style="list-style-type: none"> Non-executive Directors participated actively in the affairs of the Company by attending the Board meetings and would be able to give independent advice and judgement on matters being discussed. If considered necessary, they will seek guidance and direction from the Chairman and the Group Managing Director on the future business direction and strategic plans so as to gain a comprehensive understanding of the business of the Company to exercise their independent judgment. Non-executive Directors review the financial information and operational performance of the Group on a regular basis. The Audit Committee of the Company is wholly comprised of Independent Non-executive Directors. The Compensation Committee is wholly comprised of Non-executive Directors, with the majority being Independent Non-executive Directors. The Nomination Committee and Corporate Governance Function are comprised of all categories of Directors, with the majority being Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																														
A.6.3	<ul style="list-style-type: none"> Directors should ensure that they can give sufficient time and attention to the affairs of the issuer. 	✓	<ul style="list-style-type: none"> There was satisfactory attendance for Board and Board Committee meetings during the year. <p>Please refer to A.1.1, A.5.1, B.1.2, C.3.3 and C.3.4 for details.</p>																														
A.6.4	<ul style="list-style-type: none"> Directors must comply with the Model Code. Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees. 	✓	<ul style="list-style-type: none"> The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for Directors' dealings in securities of the Company. <p>Having made specific enquiries, the Company confirmed that each of the Directors has complied with the required standards during the year.</p> <ul style="list-style-type: none"> Employees who are likely to be in possession of unpublished inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code. 																														
A.6.5	<ul style="list-style-type: none"> Directors should participate in continuous professional development and refresh their knowledge and skills, with appropriate emphasis on the roles, functions and duties of a listed company director. 	✓	<ul style="list-style-type: none"> The Company Secretary has provided all Directors with relevant directors' guides for their discharge of duties and updates on changes of relevant rules and regulations. During the year, the Directors' knowledge and skills are continuously developed and refreshed by reading materials and guidelines or by attending seminars on subjects relating to Director's duties and responsibilities, Environmental, Social and Governance Reporting and Listing Rules Updates. <p>Records of the Directors' training during the year under review are as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Directors</th> <th style="text-align: right;">Reading Materials and Guidelines/Seminars</th> </tr> </thead> <tbody> <tr> <td colspan="2"><i>Executive Directors</i></td> </tr> <tr> <td>Fung Wai Yiu (<i>Chairman</i>)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Chung Chong, Eddie (<i>Group Managing Director</i>)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chi, Kenneth</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chung, Kevin</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"><i>Non-executive Directors</i></td> </tr> <tr> <td>Lucas A.M. Laureys</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"><i>Independent Non-executive Directors</i></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">✓</td> </tr> </tbody> </table>	Directors	Reading Materials and Guidelines/Seminars	<i>Executive Directors</i>		Fung Wai Yiu (<i>Chairman</i>)	✓	Wong Chung Chong, Eddie (<i>Group Managing Director</i>)	✓	Wong Kai Chi, Kenneth	✓	Wong Kai Chung, Kevin	✓	<i>Non-executive Directors</i>		Lucas A.M. Laureys	✓	Herman Van de Velde	✓	<i>Independent Non-executive Directors</i>		Marvin Bienenfeld	✓	Chow Yu Chun, Alexander	✓	Leung Churk Yin, Jeanny	✓	Leung Ying Wah, Lambert	✓	Lin Sun Mo, Willy	✓
Directors	Reading Materials and Guidelines/Seminars																																
<i>Executive Directors</i>																																	
Fung Wai Yiu (<i>Chairman</i>)	✓																																
Wong Chung Chong, Eddie (<i>Group Managing Director</i>)	✓																																
Wong Kai Chi, Kenneth	✓																																
Wong Kai Chung, Kevin	✓																																
<i>Non-executive Directors</i>																																	
Lucas A.M. Laureys	✓																																
Herman Van de Velde	✓																																
<i>Independent Non-executive Directors</i>																																	
Marvin Bienenfeld	✓																																
Chow Yu Chun, Alexander	✓																																
Leung Churk Yin, Jeanny	✓																																
Leung Ying Wah, Lambert	✓																																
Lin Sun Mo, Willy	✓																																

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.6.6	<ul style="list-style-type: none"> Directors should disclose at the time of appointment (and at subsequent times) all offices held in other public companies and other significant commitments. 	✓	<ul style="list-style-type: none"> On appointment Directors have disclosed all relevant information to the Board. They will disclose any change of such information to the Company in a timely manner and such information is updated in annual reports and the Company's website.
A.6.7	<ul style="list-style-type: none"> Directors should ensure regular attendance and active participation at board, board committee and general meetings through which to demonstrate their skills, expertise and varied backgrounds and qualifications. 	✓	<ul style="list-style-type: none"> The Board reviews regularly each Director's performance and contribution to the Company. There was satisfactory attendance for Board meetings, Board Committee meetings and general meetings during the year. Please refer to A.1.1, A.5.1, B.1.2, C.3.3 and C.3.4 for details. During Board and Board Committee meetings, there were open discussions amongst the Board and Board Committee members and constructive advice was given to the Board. Directors and chairmen of respective Board Committees were available at general meetings to answer questions from shareholders.
A.6.8	<ul style="list-style-type: none"> Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments. 	✓	<ul style="list-style-type: none"> Details on the roles and functioning of as well as the work performed by Non-executive Directors (including Independent Non-executive Directors) are set out above.
A.7	<p>Supply of and Access to Information Code Principle Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and to perform their duties and responsibilities.</p>		
A.7.1	<ul style="list-style-type: none"> Board papers should be sent to all directors at least three days before regular board or board committee meetings. 	✓	<ul style="list-style-type: none"> Board papers are circulated not less than three days before regular Board or Board Committee meetings.
A.7.2	<ul style="list-style-type: none"> Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable. Each director should have separate and independent access to senior management for making further enquiries where necessary. 	✓	<ul style="list-style-type: none"> The Chairman of Executive Committee will attend all regular Board Meetings and report to the Board on the Group's latest business developments/strategy and the key matters discussed and addressed amongst the Executive Committee members. The Chief Financial Officer and Company Secretary are in attendance at all regular Board and Board Committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.7.3	<ul style="list-style-type: none"> Directors are entitled to have access to board papers and related materials; queries raised by directors should be responded promptly and fully. 	✓	<ul style="list-style-type: none"> Board papers and related materials are circulated to Directors three days prior to Board meetings and Board Committee meetings and are made available for inspection at any time by Board members and Committee members. The Executive Directors and Chief Financial Officer, with the support of the Company Secretary, play a leading role in ensuring that queries are answered promptly and fully.
B B.1	<p>REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION</p> <p>The Level and Make-up of Remuneration and Disclosure</p> <p>Code Principle</p> <p>A formal and transparent procedure should be established for setting policy on executive director remuneration and remuneration packages for all directors. No director should be involved in deciding his own remuneration.</p>		
B.1.1	<ul style="list-style-type: none"> The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors and have access to independent professional advice if necessary. 	✓	<ul style="list-style-type: none"> The Company established a Compensation Committee in 2001. There is close liaison and consultation between the Committee and the Chairman and the Group Managing Director on all human resource issues. Committee members are aware that access to professional advice is available if considered necessary.
B.1.2	<ul style="list-style-type: none"> Terms of reference of the remuneration committee to include: <ul style="list-style-type: none"> make recommendations to the board on policy and structure for remuneration of all directors and senior management. review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives. 	✓	<ul style="list-style-type: none"> The terms of reference of the Compensation Committee follow closely the requirements of the Code Provisions that have been adopted by the Board. The Compensation Committee has the responsibility delegated by the Board to review and assess the remuneration packages of individual executive directors and senior management and make recommendations to the Board for approval. During the year, members of the Committee had held a meeting at which the remuneration packages of Executive Directors and senior management were reviewed and discussed and recommendations were made to the Board's approval;

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company										
	<ul style="list-style-type: none"> – either to determine, with delegated responsibility, specific remuneration packages of individual executive directors and senior management; or to make recommendations to the Board for this purpose. – make recommendations to the Board on remuneration of non-executive directors. – consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group. – review and approve the compensation payable to executive directors and senior management for loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct. – ensure that no director or any of his associates is involved in deciding his own remuneration. 		<ul style="list-style-type: none"> • The Committee comprises the following members and details of their attendance records at the meeting are set out below: <ul style="list-style-type: none"> <i>Independent</i> <table border="0"> <thead> <tr> <th><i>Non-executive Directors</i></th> <th><i>Attendance</i></th> </tr> </thead> <tbody> <tr> <td>Marvin Bienenfeld (<i>Chairman</i>)</td> <td>1/1</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td>1/1</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td>1/1</td> </tr> </tbody> </table> <i>Non-executive Director</i> <tr> <td>Herman Van de Velde</td> <td>0/1</td> </tr> • The Committee reviews compensation policies of the Group on a regular basis. • The compensation policy of the Group is designed to reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals. • The Group's compensation policy for Non-executive Directors is to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group. • No individual Director is involved in deciding his own remuneration. 	<i>Non-executive Directors</i>	<i>Attendance</i>	Marvin Bienenfeld (<i>Chairman</i>)	1/1	Leung Churk Yin, Jeanny	1/1	Leung Ying Wah, Lambert	1/1	Herman Van de Velde	0/1
<i>Non-executive Directors</i>	<i>Attendance</i>												
Marvin Bienenfeld (<i>Chairman</i>)	1/1												
Leung Churk Yin, Jeanny	1/1												
Leung Ying Wah, Lambert	1/1												
Herman Van de Velde	0/1												
B.1.3	<ul style="list-style-type: none"> • The remuneration committee should make available its terms of reference and the authority delegated to it by the board. 	✓	<ul style="list-style-type: none"> • The terms of reference of the Compensation Committee are available for review on the HKExnews website and the Company's website. 										
B.1.4	<ul style="list-style-type: none"> • The remuneration committee should be provided with sufficient resources to perform its duties. 	✓	<ul style="list-style-type: none"> • Independent professional advice will be brought to supplement internal resources where appropriate. 										

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company														
B.1.5	<ul style="list-style-type: none"> Details of remuneration to senior management should be disclosed by band in annual reports. 	✓	<ul style="list-style-type: none"> Details of remuneration paid to members of senior management for the year are as follows: <table style="margin-left: 20px; width: 100%;"> <tr> <td></td> <td style="text-align: right;">HK\$</td> </tr> <tr> <td>Salaries and other benefits</td> <td style="text-align: right;">6,788,693</td> </tr> <tr> <td>Retirement benefit scheme contributions</td> <td style="text-align: right;">61,000</td> </tr> <tr> <td></td> <td style="text-align: right;">Number of individuals</td> </tr> <tr> <td>HK\$500,001 to HK\$1,000,000</td> <td style="text-align: right;">1</td> </tr> <tr> <td>HK\$1,000,001 to HK\$1,500,000</td> <td style="text-align: right;">1</td> </tr> <tr> <td>HK\$1,500,001 to HK\$2,000,000</td> <td style="text-align: right;">3</td> </tr> </table> 		HK\$	Salaries and other benefits	6,788,693	Retirement benefit scheme contributions	61,000		Number of individuals	HK\$500,001 to HK\$1,000,000	1	HK\$1,000,001 to HK\$1,500,000	1	HK\$1,500,001 to HK\$2,000,000	3
	HK\$																
Salaries and other benefits	6,788,693																
Retirement benefit scheme contributions	61,000																
	Number of individuals																
HK\$500,001 to HK\$1,000,000	1																
HK\$1,000,001 to HK\$1,500,000	1																
HK\$1,500,001 to HK\$2,000,000	3																
Recommended Best Practices																	
B.1.6	<ul style="list-style-type: none"> A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance. 	✓	<ul style="list-style-type: none"> Details of remuneration of Executive Directors are disclosed on an individual basis in the annual report. A significant proportion of the compensation of Executive Directors and senior management is based on individual performance and the financial performance of the Group. 														
C	ACCOUNTABILITY AND AUDIT																
C.1	Financial Reporting																
	Code Principle																
	The Board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.																
C.1.1	<ul style="list-style-type: none"> Management to provide explanation and information to the board to enable it to make an informed assessment of financial and other information put forward to the board for approval. 	✓	<ul style="list-style-type: none"> Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis. 														
C.1.2	<ul style="list-style-type: none"> Management to provide monthly updates to the Board in sufficient details for its assessment of the issuer's performance, position and prospect. 	✓	<ul style="list-style-type: none"> Management provides monthly accounts or updates to Board members, whenever necessary, facilitating a balanced and understandable assessment and appraisal of the Company's performance, position and prospect. 														

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.1.3	<ul style="list-style-type: none"> • The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. • A Statement by the auditors regarding their reporting responsibilities in the auditors' report on the financial statements • Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. 		<ul style="list-style-type: none"> • The Directors annually acknowledge their responsibility for preparing the financial statements of the Group. • The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to: <ul style="list-style-type: none"> – select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable; – state the reasons for any significant departure from accounting standards; and – prepare the financial statements on a going concern basis, unless it is not appropriate to assume that the Company and the Group will continue in business for the foreseeable future. <p>The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention of fraud and other irregularities.</p> <ul style="list-style-type: none"> • The Auditor's Report states auditors' reporting responsibilities • Directors are not aware of any matters and uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.1.4	<ul style="list-style-type: none"> Director should include in a separate statement containing a discussion and analysis of the Group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (business model) and the strategy for delivering such objectives. 	✓	<ul style="list-style-type: none"> This information is stated in the "Chairman's Statement" and "Management Discussion and Analysis" sections in annual reports.
C.1.5	<ul style="list-style-type: none"> The Board should present a balanced, clear and understandable assessment in annual/interim reports and other financial disclosures required under the Listing Rules and other statutory requirements. 	✓	<ul style="list-style-type: none"> The Board aims to present a clear, balanced and understandable assessment of the Group's performance and financial position in all shareholder communications. The Board is aware of the requirements under the Listing Rules about timely disclosure of inside information regarding the Company and will arrange to issue and publish such announcements as and when the occasions arise. The Company Secretary will consult and seek legal advice on the materiality and sensitivity of certain material and connected transactions and advise the Board accordingly.
C.2	<p>Internal Controls Code Principle</p> <p>The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investments and the issuer's assets.</p>		
C.2.1	<ul style="list-style-type: none"> The directors should at least annually conduct a review of the effectiveness of the internal control systems of the issuer and its subsidiaries and report that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions. 	✓	<ul style="list-style-type: none"> The Board, with the support of Internal Audit Department, has overall responsibility for maintaining sound and effective internal control and risk management system of the Group. The Internal Audit department conducts reviews on the internal control systems of the Company and its subsidiaries on a regular basis and then reports their findings to the audit committee.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> The review covers all material controls, including financial, operational, and compliance controls and risk management functions. <p>An annual audit plan will be submitted to the Audit Committee for review and endorsement at the beginning of each financial year. In addition to the planned audit schedule, Internal Audit Department also carries out other review and audit works on an ad hoc basis should there be a material or significant issue arising from business/operational units that would be detrimental to the business objectives and developments of the Group.</p> <p>The Board is generally satisfied as to the effectiveness of the internal control systems of the Company and its subsidiaries during the year under review.</p>
C.2.2	<ul style="list-style-type: none"> The annual review should consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget. 		<ul style="list-style-type: none"> There have been sufficient and adequate resources put in place within the Group to perform the accounting and financial reporting function. <p>The finance team, lead by the Chief Financial Officer, with the support of a group of accounting professionals, is responsible for the oversight of the Group's finance and control function. Monthly operational review meetings are held with each of the regional and business unit heads to evaluate their performance against the targets set in the annual budget and ongoing matters.</p> <ul style="list-style-type: none"> Adequate training is provided with to the finance team. In addition to the "On-the-job" and internal training, senior staff will regularly attend seminars with topics of relevance to them in discharging their duties, updating their professional knowledge as well as coaching their subordinates.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
<i>Recommended Best Practices</i>			
C.2.3	<ul style="list-style-type: none"> • The board’s annual review should, in particular consider: <ul style="list-style-type: none"> – the changes since the last annual review in the nature and extent of significant risks, and the issuer’s ability to respond to changes in its business and the external environment. – the scope and quality of management’s ongoing monitoring of risks and of internal control systems, and where applicable, the work of its internal audit function and other assurance providers. – the extent and frequency of communication of monitoring results to the board which enables it to assess control of the issuer and the effectiveness of risk management. – significant control failings or weaknesses that have been identified during the period. – the effectiveness of the issuer’s processes for financial reporting and Listing Rule compliance. 		<ul style="list-style-type: none"> • The review by the Board considered all these matters. • There were no significant control failings or weakness identified.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.2.4	<ul style="list-style-type: none"> • Narrative statement on compliance with code provisions on internal control including: <ul style="list-style-type: none"> – process used to identify, evaluate and manage significant risks – additional information to explain its risk management processes and internal control system – acknowledgement by the board that it is responsible for the internal control system and its effectiveness – process used to review the effectiveness of the internal control system – process used to resolve material internal control defects for any significant problems disclosed in annual reports and accounts. 		<ul style="list-style-type: none"> • The Board has overall responsibility for internal control system and reviewing its effectiveness. • The Group has in place an internal control system which is designed in light of the nature of the business as well as the organization structure. <p>The Group's system of internal control includes a defined management structure with limits of authority and is designed to further the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.</p> <ul style="list-style-type: none"> • Senior management adopts a hands-on approach to the operations of the business and delegation of authority is limited. • Detailed operational and financial budgets are prepared and reviewed by the responsible Directors prior to being adopted.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> Robust controls are in place for the recording of complete, accurate and timely accounting and management information. Comprehensive monthly management accounts are prepared, reviewed with, and distributed to appropriate senior managers. In addition, monthly operational review meetings of various operating plants are held. The Chairman and the Group Managing Director play leading roles in these meetings. The Head of Internal Audit has direct access to the Chairman of the Audit Committee. The work plan of the Internal Audit Department focuses on those areas of the Group's activities with the greatest perceived risk and the plan is reviewed and approved by the Audit Committee. The results of internal audit reviews and corresponding remedial actions taken are reported to the Executive Directors and Audit Committee periodically.
C.3	<p>Audit Committee Code Principle</p> <p>The board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal controls principles and for maintaining an appropriate relationship with the company's auditors. The audit committee should have clear terms of reference.</p>		
C.3.1	<ul style="list-style-type: none"> Minutes should be kept by a duly appointed secretary and sent to all committee members within a reasonable time. 	✓	<ul style="list-style-type: none"> Minutes are prepared by the Company Secretary and sent to members of the Audit Committee within 14 days of each meeting.
C.3.2	<ul style="list-style-type: none"> A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in the firm, whichever is the later. 	✓	<ul style="list-style-type: none"> No member of the Audit Committee is a partner of or has financial interest in the existing auditing firm of the Company.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																					
C.3.3 and C.3.4	<ul style="list-style-type: none"> • The terms of reference of the audit committee should include: <ul style="list-style-type: none"> – relationship with the issuer’s external auditors – review of the issuer’s financial information – oversight of the issuer’s financial reporting system and internal control procedures • The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. 		<ul style="list-style-type: none"> • The Company established an audit committee in 1998 and all its members are Independent Non-executive Directors. • The terms of reference of the Audit Committee follow closely the requirements of the Code Provisions that have been adopted by the Board and are available for review on the HKExnews website and the Company’s website. • Under its terms of reference, the Committee oversees the Group’s financial reporting process; it also reviews the Group’s internal controls and risk management system, approves the scope of work of the internal audit department and oversees the relationship with the external auditors. • The Audit Committee currently consists of the following members and two meetings have been held during the year. Details of committee members’ attendance records are set out below: <table border="0" style="margin-left: 20px;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Independent</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> <tr> <th colspan="2" style="text-align: left;"><u>Non-executive Directors</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>Leung Ying Wah, Lambert (Chairman)</td> <td></td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Marvin Bienenfeld</td> <td></td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td></td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td></td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td></td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table> <p>During the year, Mr. Leung Ying Wah, Lambert was elected as the new Chairman of the Audit Committee.</p>	<u>Independent</u>		<u>Attendance</u>	<u>Non-executive Directors</u>			Leung Ying Wah, Lambert (Chairman)		2/2	Marvin Bienenfeld		2/2	Chow Yu Chun, Alexander		2/2	Leung Churk Yin, Jeanny		2/2	Lin Sun Mo, Willy		2/2
<u>Independent</u>		<u>Attendance</u>																						
<u>Non-executive Directors</u>																								
Leung Ying Wah, Lambert (Chairman)		2/2																						
Marvin Bienenfeld		2/2																						
Chow Yu Chun, Alexander		2/2																						
Leung Churk Yin, Jeanny		2/2																						
Lin Sun Mo, Willy		2/2																						

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> • The principal work performed by the committee during the year included: <ul style="list-style-type: none"> – review of the Company’s financial statements for the year ended 30 June 2013 and for the six months ended 31 December 2013 and recommending such financial statements to the Board for their approval and adoption; – discussions with the external auditors and reporting to the Board any significant matters arising from the interim/annual audit; – review of the audit reports submitted by Internal Audit regarding the systems of internal control and risk management; – review and approval of the audit planning. – review and discuss of the proposed change of external auditor from Deloitte Touche Tohmatsu to KPMG and make recommendation to the Board for approval. – review of the Continuing Connected Transactions. <p>The Committee was satisfied as to the overall effectiveness of the internal controls and risk management process during the year under review.</p>
C.3.5	<ul style="list-style-type: none"> • If Audit Committee disagrees with the Board’s view on the selection, appointment, resignation or dismissal of external auditors, a statement from the audit committee explaining its recommendation and reason for such disagreement should be included in the Corporate Governance Report. 		<ul style="list-style-type: none"> • KPMG had been appointed as the external auditor of the Company at the conclusion of 2013 annual general meeting. The Audit Committee recommended to the Board, subject to shareholders’ approval at the AGM to re-appoint KPMG as the external auditors of the Company until the conclusion of next annual general meeting. • For the year ended 30 June 2014, the external auditors received HK\$1,770,000 for audit services and HK\$130,000 for non-audit services.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.3.6	<ul style="list-style-type: none"> The audit committee should be provided with sufficient resources to perform its duties. 	✓	<ul style="list-style-type: none"> Independent professional advice will be brought to supplement internal resources where appropriate.
C.3.7	<ul style="list-style-type: none"> Terms of reference should include: <ul style="list-style-type: none"> – review of arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters. – to act as the key representative body for overseeing the issuer’s relation with the external auditor. 	✓	<ul style="list-style-type: none"> The terms of reference updated with these items have been adopted by the Board. The Audit Committee oversees the relationship with the external auditors.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
D D.1	<p>DELEGATION BY THE BOARD</p> <p>Management Functions</p> <p>Code Principle</p> <p>An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on behalf of the issuer.</p>		
D.1.1 and D.1.2	<ul style="list-style-type: none"> • Board must give clear directions as to the powers of management, including where management should obtain prior board approval before making decisions or entering into any commitments on behalf of the issuer. • Formalize the functions reserved to the board and those delegated to management; and review those arrangements periodically to ensure that they remain appropriate to the needs of the company. 		<ul style="list-style-type: none"> • The Executive Committee with authority and power delegated by the Board has the function of formulating and executing the Group's strategic development and business plan as well as monitoring the daily management and operation of the Group. The executive committee holds monthly meeting, with the present of the Chairman and the Group Managing Director, to discuss and approve issues relating to the Group's business; • The daily management, operation and administration functions of the Company are delegated to the management. The reporting system is designed to ensure that significant issues are reported to the Board on a regular basis. • There is a defined schedule of matters reserved for full Board approval, including: <ul style="list-style-type: none"> – long-term objectives and strategies; – audited financial statements and associated materials; review and approve interim and final results announcements and quarterly operational updates; convening general meetings; – recommendations as to dividend; – appointment, removal or re-designation of Directors;

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> – remuneration of Non-executive Directors and changes in terms and conditions of employment of Executive Directors; – material connected transactions; – material acquisitions, disposals or joint-venture arrangements; – material raising of external finance; – appointment and removal of external auditors; – matters involving a conflict of interest for a substantial shareholder or Director; – Create, issue, purchase, redeem or otherwise reorganize the Company's share capital.
D.1.3	<ul style="list-style-type: none"> • An issuer should disclose the respective responsibilities of the board and management. 	✓	<ul style="list-style-type: none"> • As set out in D.1.1 and D.1.2.
D.1.4	<ul style="list-style-type: none"> • Issuers should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. 	✓	<ul style="list-style-type: none"> • A formal appointment letter setting out the key terms and conditions relative to their appointment will be prepared for each newly appointed Director.
D.2	<p>Board Committees Code Principle Board committees should be formed with specific written terms of reference that deal clearly with the committees' authority and duties.</p>		
D.2.1	<ul style="list-style-type: none"> • Clear terms of reference to enable proper discharge of committees functions. 	✓	<ul style="list-style-type: none"> • Three Board Committees, Audit Committee, Compensation Committee and Nomination Committee have been established with clear and specific terms of reference. <p>Please refer to A.5.1 to A.5.3, B.1.2, C.3.3 and C.3.4 for details.</p>
D.2.2	<ul style="list-style-type: none"> • The terms of reference should require committees to report their decisions and recommendations to the board. 	✓	<ul style="list-style-type: none"> • Each Board Committee reports to the Board after the relevant meeting.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
D.3	CORPORATE GOVERNANCE FUNCTIONS		
D.3.1	<ul style="list-style-type: none"> The terms of reference should include <ol style="list-style-type: none"> developing and reviewing policies and practices on corporate governance; reviewing and monitoring training and continuous professional development of directors and senior management; reviewing and monitoring policies and practices on legal and regulatory compliance issues; developing, reviewing and monitoring the code of conduct applicable to employees and directors; reviewing Corporate Governance Code compliance and disclosure requirements. 	✓	<ul style="list-style-type: none"> The terms of reference adopted by the Board follow closely the Code Provision D.3.1.
D.3.2	<ul style="list-style-type: none"> The Board should be responsible for performing corporate governance duties set out in D.3.1 or it may delegate the responsibilities to a committee. 	✓	<ul style="list-style-type: none"> Corporate governance functions of the Company are held by the Board with Chairman of the Board playing a leading role. The Board places emphasis on good corporate governance practices and has reviewed the Group's corporate governance practices and code of conduct and compliance matters during the year.
E	COMMUNICATION WITH SHAREHOLDERS		
E.1	Effective Communication Code Principle The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.		
E.1.1	<ul style="list-style-type: none"> A separate resolution be proposed by the chairman for each substantially separate issue. 	✓	<ul style="list-style-type: none"> Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual Directors.

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																																
E.1.2	<ul style="list-style-type: none"> The chairman of the board should attend the annual general meeting and invite the chairman of the audit, remuneration, nomination committees (as appropriate) or in the absence of the chairman of such committees, another members of the committees to attend and be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure that the external auditor attends the annual general meeting to answer questions. 		<ul style="list-style-type: none"> The Chairman of the Board chaired the 2013 annual general meeting held during the year and was available to answer questions from shareholders. The Chairmen of respective Board Committees also attended the 2013 annual general meeting and were available to answer questions from shareholders. Details of Directors' attendance records at the 2013 annual general meeting are as follows: <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Fung Wai Yiu (<i>Chairman</i>)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Chung Chong, Eddie (<i>Group Managing Director</i>)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chi, Kenneth</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chung, Kevin</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td><u>Non-executive Directors</u></td> <td></td> </tr> <tr> <td>Lucas A.M. Laureys</td> <td style="text-align: right;">(absent)</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td><u>Independent Non-executive Directors</u></td> <td></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">✓</td> </tr> </tbody> </table> 	<u>Executive Directors</u>	<u>Attendance</u>	Fung Wai Yiu (<i>Chairman</i>)	✓	Wong Chung Chong, Eddie (<i>Group Managing Director</i>)	✓	Wong Kai Chi, Kenneth	✓	Wong Kai Chung, Kevin	✓	 		<u>Non-executive Directors</u>		Lucas A.M. Laureys	(absent)	Herman Van de Velde	✓	 		<u>Independent Non-executive Directors</u>		Marvin Bienenfeld	✓	Chow Yu Chun, Alexander	✓	Leung Churk Yin, Jeanny	✓	Leung Ying Wah, Lambert	✓	Lin Sun Mo, Willy	✓
<u>Executive Directors</u>	<u>Attendance</u>																																		
Fung Wai Yiu (<i>Chairman</i>)	✓																																		
Wong Chung Chong, Eddie (<i>Group Managing Director</i>)	✓																																		
Wong Kai Chi, Kenneth	✓																																		
Wong Kai Chung, Kevin	✓																																		
<u>Non-executive Directors</u>																																			
Lucas A.M. Laureys	(absent)																																		
Herman Van de Velde	✓																																		
<u>Independent Non-executive Directors</u>																																			
Marvin Bienenfeld	✓																																		
Chow Yu Chun, Alexander	✓																																		
Leung Churk Yin, Jeanny	✓																																		
Leung Ying Wah, Lambert	✓																																		
Lin Sun Mo, Willy	✓																																		

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																																
			<ul style="list-style-type: none"> During the year, a special general meeting (“SGM”) was held to approve the continuing connected transactions and share consolidation. <p>The Chairman of the Board and all members of the Independent Board Committee in respect of the continuing connected transactions attended the SGM and were available to answer questions from shareholders.</p> <ul style="list-style-type: none"> Details of Directors’ attendance records at the SGM are as follows: <table border="0"> <thead> <tr> <th><u>Executive Directors</u></th> <th><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Fung Wai Yiu (<i>Chairman</i>)</td> <td>✓</td> </tr> <tr> <td>Wong Chung Chong, Eddie (<i>Group Managing Director</i>)</td> <td>✓</td> </tr> <tr> <td>Wong Kai Chi, Kenneth</td> <td>✓</td> </tr> <tr> <td>Wong Kai Chung, Kevin</td> <td>✓</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th><u>Non-executive Directors</u></th> <td></td> </tr> <tr> <td>Lucas A.M. Laureys</td> <td>(absent)</td> </tr> <tr> <td>Herman Van de Velde</td> <td>✓</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th><u>Independent Non-executive Directors</u></th> <td></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td>✓</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td>✓</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td>✓</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td>✓</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td>✓</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The external auditor attended the annual general meeting to answer questions from shareholders. 	<u>Executive Directors</u>	<u>Attendance</u>	Fung Wai Yiu (<i>Chairman</i>)	✓	Wong Chung Chong, Eddie (<i>Group Managing Director</i>)	✓	Wong Kai Chi, Kenneth	✓	Wong Kai Chung, Kevin	✓	 		<u>Non-executive Directors</u>		Lucas A.M. Laureys	(absent)	Herman Van de Velde	✓	 		<u>Independent Non-executive Directors</u>		Marvin Bienenfeld	✓	Chow Yu Chun, Alexander	✓	Leung Churk Yin, Jeanny	✓	Leung Ying Wah, Lambert	✓	Lin Sun Mo, Willy	✓
<u>Executive Directors</u>	<u>Attendance</u>																																		
Fung Wai Yiu (<i>Chairman</i>)	✓																																		
Wong Chung Chong, Eddie (<i>Group Managing Director</i>)	✓																																		
Wong Kai Chi, Kenneth	✓																																		
Wong Kai Chung, Kevin	✓																																		
<u>Non-executive Directors</u>																																			
Lucas A.M. Laureys	(absent)																																		
Herman Van de Velde	✓																																		
<u>Independent Non-executive Directors</u>																																			
Marvin Bienenfeld	✓																																		
Chow Yu Chun, Alexander	✓																																		
Leung Churk Yin, Jeanny	✓																																		
Leung Ying Wah, Lambert	✓																																		
Lin Sun Mo, Willy	✓																																		
E.1.3	<ul style="list-style-type: none"> At least 20 clear business days’ notice should be given for annual general meetings and at least 10 clear business days’ notice should be given for all other general meetings. 	✓	<ul style="list-style-type: none"> The Company complies with this requirement. 																																

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
E.1.4	<ul style="list-style-type: none"> Board should establish a shareholders' communication policy and review it regularly. 	✓	<ul style="list-style-type: none"> The Company has established a Shareholders' Communication Policy which can be viewed at the Company's website. Information of shareholders' rights including (i) the way in which shareholders can convene a special general meeting; (ii) procedures with contact details that shareholders can send enquiries to the Board; (iii) procedures for putting forward proposals at general meetings; and (iv) procedures shareholders can use to propose a person for election as a director, is available at the Company's website.
E.2	<p>Voting by Poll Code Principle The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll</p>		
E.2.1	The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	✓	<ul style="list-style-type: none"> The Chairman explains the detailed procedures for conducting a poll at the outset of the Annual General Meeting and any general meetings and answers questions from shareholders.
F	<p>COMPANY SECRETARY Code Principle Company Secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The Company Secretary is responsible for advising the board through the chairman and/or chief executive on governance matters and facilitates induction of directors.</p>		

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
F.1.1 to F.1.4	<ul style="list-style-type: none"> • The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs. • The board should approve the selection, appointment or dismissal of the company secretary. • The company secretary should report to the board chairman and/or the chief executive. • All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed. 		<ul style="list-style-type: none"> • The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company and reports directly to the Chief Financial Officer as well as assisting and reporting to the Chairman and Group Managing Director on the Company's issues. • The selection, appointment or dismissal of the Company Secretary is approved by the Board. • The Company Secretary is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters. • Directors have direct access to the Company Secretary.



CORPORATE GOVERNANCE REPORT

Business Integrity

Maintaining the highest professional and ethical standards is central to the Group's core operating philosophy. The Group has formally adopted a Code of Conduct (the "Code") addressing guiding principles governing conduct of Directors, management and employees. The Code is intended to establish standards of conduct encompassing the areas in which the business operates.

In summary, executives and employees of the Group are expected to:

- Conduct business of the Group in full compliance with both the letter and spirit of the Law and of the Code.
- Maintain the highest possible standards in the way we operate and the way we treat our employees in order to satisfy the expectations of both the business and social communities.
- Use confidential information properly.
- Recognize and avoid conflicts of interest.
- Protect the ownership of property of the Group, including information, products, rights and services.
- Conduct outside activities in a way which does not compromise the individual or the Group.

There is a reporting system for any code violations. The Board reviews the Code and monitors its effective implementation periodically. There are also systems in place for risk assessment, risk identification and management, and timely corrective measures for sustainability and to nourish improvement for the business of the Group.

Communications with the Investment Community

The Company is committed to maintaining a continuing open dialogue with institutional investors and analysts to facilitate understanding of the group's management, financial position, operations, strategy and plans.

The Chairman and Chief Financial Officer have the prime responsibility for these activities, with the Chairman taking the lead in the period immediately following the interim and final results announcements.

Regular one-on-one meetings are held with the financial community which, in a number of instances, involve visits to production facilities.

The Company endeavours to be responsive to all media requests.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are the design, manufacture and distribution of ladies' intimate apparel, principally brassieres.

The activities of its principal subsidiaries are set out in note 29 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2014 are set out in the consolidated statement of profit or loss on page 50.

DIVIDEND

The Board has recommended the declaration of a final dividend of HK\$0.05 per share and a special dividend of HK\$0.05 per share for the year ended 30 June 2014 (for the year ended 30 June 2013: HK\$Nil) subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting ("AGM"). The proposed final dividend and special dividend will be paid to the Shareholders on 20 November 2014 whose names appear on the registers of members of the Company on 7 November 2014.

An interim dividend of HK\$0.01 per share for the six months ended 31 December 2013 has been paid to the Shareholders during the year ended 30 June 2014 before the share consolidation (on the basis of every five issued and unissued shares of HK\$0.10 each consolidated into one share of HK\$0.50 each in the capital of the Company) ("Share Consolidation") became effective on 23 May 2014 (for the six months ended 31 December 2012: HK\$Nil). The aggregate interim dividends of every five shares are equivalent to HK\$0.05 per share after incorporating the effect of Share Consolidation in which further details are set out in note 23(a) to the consolidated financial statements.

CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed on 6 to 7 November 2014 for the proposed final dividend and special dividend. During that period, no transfer of shares will be registered. In order to qualify for the proposed final dividend and special dividend for the year ended 30 June 2014, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 November 2014.

DIRECTORS' REPORT

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 108.

FIXED ASSETS

During the year, certain of the Group's land and buildings were revalued upon transfer to investment properties and the revaluation resulted in a surplus over book values amounting to HK\$41,872,000 (2013: HK\$4,032,000) which has been credited directly to the asset revaluation reserve.

As at 30 June 2014, the Group revalued all of its investment properties on an open market basis. The increase in fair value amounting to approximately HK\$873,000 (2013: HK\$3,090,000) has been credited to the consolidated statement of profit or loss.

During the year, the Group incurred expenditure, principally on its production facilities, totalling approximately HK\$17 million (2013: HK\$20 million).

Movements of property, plant and equipment and investment properties of the Group during the year are set out in notes 12 and 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Fung Wai Yiu (Chairman)
Wong Chung Chong, Eddie (Group Managing Director)
Wong Kai Chi, Kenneth
Wong Kai Chung, Kevin

Non-executive Directors

Lucas A.M. Laureys
Herman Van de Velde

Independent Non-executive Directors

Marvin Bienenfeld
Chow Yu Chun, Alexander
Leung Churk Yin, Jeanny
Leung Ying Wah, Lambert
Lin Sun Mo, Willy

In accordance with bye-law 87(2) of the Company's Bye-laws, Mr. Chow Yu Chun, Alexander, Ms. Leung Churk Yin, Jeanny and Mr. Wong Kai Chung, Kevin will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

No director proposed for re-election at the 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 Non-executive Directors have not been appointed for a specific term but will be subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange. The Company has assessed their independence and concluded that all the Independent Non-executive Directors are independent.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Fung Wai Yiu, aged 66, is the Chairman of the Group. Mr. Fung has over 47 years of experience in the apparel industry.

Wong Chung Chong, Eddie, aged 68, is the co-founder of the Group. Mr. Wong is the Group Managing Director and is responsible for the operations of the Group. Mr. Wong has over 48 years of experience in the brassiere trade.

Wong Kai Chi, Kenneth, aged 40, is the son of Mr. Wong Chung Chong, Eddie and the elder brother of Mr. Wong Kai Chung, Kevin. He joined the Group in 1997 and is a Director of Top Form Brassiere Mfg. Co., Limited. Mr. Kenneth Wong is responsible for the Group's Sales and Marketing and Product Development activities. He is currently the Chairman of Hong Kong Intimate Apparel Industries' Association. Mr. Kenneth Wong holds a Bachelor degree in Marketing and Operations Management from School of Management, Boston University in the United States of America and a Master degree in International Business from Asian Institute of Technology in Thailand.

Wong Kai Chung, Kevin, aged 38, is the son of Mr. Wong Chung Chong, Eddie and the younger brother of Mr. Wong Kai Chi, Kenneth. He is a Director of Top Form Brassiere Mfg. Co. Limited and various subsidiaries of the Company. Mr. Kevin Wong joined the Group in 2001 and was responsible for the corporate development of the Group. He has over 16 years of experience in business development and organisation and is currently responsible for the Group's manufacturing and operations. Mr. Kevin Wong graduated from Colby College, the United States of America majoring in Economics in 1998. He is the holder of the Chartered Financial Analyst designation.

Non-executive Directors

Lucas A.M. Laureys, aged 69, has been a Non-executive Director of the Company since September 2002. He is the Chairman of the Board of Van de Velde N. V., the shares of which are listed on the NYSE Euronext Brussels stock exchange. Mr. Laureys has over 42 years of experience in the brassiere trade and specializes in marketing. Mr. Laureys holds a degree in Economics from the University of Ghent, a Master Degree in Marketing from the University of Leuven and a Master Degree in Business Administration from the University of Ghent Vlerick Business School. Mr. Laureys is a director of Lucas Laureys N. V. and a board member of Delta Lloyd Bank N. V., and he was formerly the Chairman of the Board of Omega Pharma (a company previously listed on Euronext).

Herman Van de Velde, aged 60, has been a Non-executive Director of the Company since September 2002. He is the Managing Director of Van de Velde N. V., the shares of which are listed on the NYSE Euronext Brussels stock exchange. He is also an independent director of Lotus Bakeries N. V., a Belgian listed company. Mr. Van de Velde joined the brassiere industry in 1981 and is well versed in operating the brassiere business in Europe.

DIRECTORS' REPORT

Independent Non-executive Directors

Marvin Bienenfeld, aged 82, was appointed as a Non-executive Director of the Company in August 1998 and then re-designated as an Independent Non-executive Director of the Company in September 2004. Mr. Bienenfeld was formerly the Chairman of Bestform Inc. and has over 53 years of experience in the ladies' intimate apparel industry in the United States of America.

Chow Yu Chun, Alexander, aged 67, has been an Independent Non-executive Director of the Company since February 1993. He is a Certified Public Accountant ("CPA") of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He has over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Chow is currently an independent non-executive director of Playmates Toys Limited and China Strategic Holdings Limited, both companies are listed on the Hong Kong Stock Exchange. Mr. Chow was the non-executive director of New World China Land Limited, a company listed on the Hong Kong Stock Exchange, until his resignation effective on 28 December 2012.

Leung Churk Yin, Jeanny, aged 49, has been an Independent Non-executive Director of the Company since September 2008. Prior to this, she had been an executive director of the Company since February 1998 and re-designated as a non-executive director in April 1999. Ms. Leung is a seasoned investment banker with over 27 years of corporate finance experience in Hong Kong, Mainland China and Taiwan. Ms. Leung had been holding directorship in Lai Sun Garment (International) Limited and eSun Holdings Limited until August 2011, both of these companies are listed on the Hong Kong Stock Exchange.

Leung Ying Wah, Lambert, aged 67, has been an Independent Non-executive Director of the Company since May 2006. Mr. Leung is the Chief Executive Officer of a leading construction materials company. He is a fellow member of the Association of Chartered Certified Accountant ("ACCA"), HKICPA and the Institute of Quarrying (UK). Mr. Leung is currently the Chairman of the Hong Kong Construction Materials Association and the Hong Kong Cement Traders and Producers Association.

Lin Sun Mo, Willy, *SBS, MBE, JP*, aged 54, has been an Independent Non-executive Director of the Company since May 2006. He holds a Bachelor of Science degree from Babson College in the United States of America and is the Managing Director of Milo's Knitwear (International) Limited. Mr. Lin is the Chairman of Hong Kong Export Credit Insurance Corporation Advisory Board and The Hong Kong Shippers' Council. He is also the Deputy Chairman of Federation of Hong Kong Industries, Honorary Chairman of Textile Council of Hong Kong, Council Member of the Chinese University of Hong Kong and the Honorary Trade Advisor of Ministry of Commerce of Thailand.

DIRECTORS' REPORT

Senior Management

Chan Man Ying, Vivian, aged 39, is the Chief Financial Officer of the Group. She is a fellow member of the HKICPA and ACCA. She joined the Group in 2004 and has many years of professional experience in accounting, auditing and financial management areas.

Michael Allen Lurer, aged 39, is the Vice President of Production for Top Form Brassiere Mfg. Co. Limited. He oversees all production operations of the Group. Mr. Lurer joined the Group in 1997 and has over 17 years of experience in intimate apparel manufacturing. He holds a Bachelor degree in International Trade and Foreign Business from Dalian University, the People's Republic of China.

Wan Ho Yau, David, aged 56, is a Director of Grand Gain Industrial Limited, a subsidiary of the Company, producing foam pads and accessories for brassiere manufacturing. Mr. Wan joined the Group in 1994. He holds degrees in Computer Science and Business Administration from York University, Toronto, Canada.

Wong Chor Wai, aged 46, joined the Group in 1989 and is a Director of Top Form Brassiere Mfg. Co., Limited. Mr. Wong holds a Bachelor degree in Science from The University of Hong Kong.

Wong Hei Yin, Henry, aged 51, is the Managing Director of Charming Elastic Fabric Company Limited and Grand Gain Industrial Limited, subsidiaries of the Company, producing respectively elastic tapes and foam pads and accessories for brassiere manufacturing. Mr. Wong holds a Bachelor degree in Accounting from Lamer University, the United States of America.

Company Secretary

Leung Yim Yu, is the Company Secretary of the Group since April 2013. She holds a Bachelor degree in business administration and is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

The Group has been for the past 32 years conducting transactions with Van de Velde N. V. ("VdV") by supplying ladies' intimate apparel to VdV. VdV is a connected person of the Company by virtue of it being a substantial shareholder of the Company holding approximately 25.66% of the issued share capital of the Company. Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the Chairman and the Managing Director of VdV respectively, are Non-executive Directors of the Company. Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange) hold an indirect equity interest of 56.26% in VdV via a jointly controlled corporation and therefore they are deemed to be connected persons of the Company. All transactions between VdV and the Group would constitute continuing connected transactions ("Continuing Connected Transactions") pursuant to the Listing Rules of the Hong Kong Stock Exchange. Accordingly, a master agreement dated 18 September 2005 (the "Master Agreement") had been entered into between VdV and the Company to govern the Continuing Connected Transactions and to set annual caps for the Continuing Connected Transactions in respect of the three financial years ended 30 June 2008.

The Master Agreement had been renewed by entering into (i) the 1st renewal agreement dated 12 June 2008 between VdV and the Company for a terms of three years ended 30 June 2011; (ii) the 2nd renewal agreement dated 1 April 2011 between VdV and the Company for a terms of three years ended 30 June 2014; and (iii) the 3rd renewal agreement dated 9 April 2014 ("the 3rd Renewal Agreement") between VdV and the Company for a terms of three years ending 30 June 2017.

An announcement dated 9 April 2014 and a circular dated 2 May 2014 regarding the renewal of the Continuing Connected Transactions contemplated under the 3rd Renewal Agreement and the relevant annual caps set for the three financial years ending 30 June 2017 of HK\$140 million, HK\$170 million and HK\$200 million respectively had been published and despatched to Shareholders and an approval had been obtained from Independent Shareholders of the Company on 22 May 2014.

Details of the Continuing Connected Transactions conducted during the year under review were set out below:

Name of the Connected Person	Nature of the Continuing Connected Transactions	Amount HK\$'000	Annual cap set for the year ended 30 June 2014
			HK\$'000
VdV	Sale of ladies' intimate apparel by the Group to VdV	89,084	100,000

Pursuant to Rule 14A.55 of the Listing Rules of the Hong Kong Stock Exchange, the Independent Non-executive Directors of the Company have conducted an annual review and confirmed to the Board that during the year the Continuing Connected Transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms; and
3. in accordance with the agreement governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practices Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

Other than the Continuing Connected Transactions as disclosed under the section headed "Connected Transactions" above, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which any one of the Directors of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, the following Directors were considered to have interests in the following business, which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules:

Mr. Lucas A.M. Laureys is the Chairman of VdV whose principal business activity is the manufacture and marketing of luxury lingerie. The Board considers that the business of VdV may indirectly compete with the business of the Group.

Mr. Herman Van de Velde, the Managing Director of VdV, has an indirect interest in Van de Velde Holding N. V. which held a direct interest of 56.26% in VdV whose principal business activity is the manufacture and marketing of luxury lingerie. The Board considers the business of VdV may indirectly compete with the business of the Group.

Save as disclosed above, none of the Directors during the year has any interest in businesses which compete or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 24 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

As at 30 June 2014, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long positions:

Ordinary shares of HK\$0.50 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held (Note 1)	Percentage of the issued share capital of the Company (Note 2)
Fung Wai Yiu	Beneficial owner and interests held by spouse (note 3)	8,705,704	4.05%
Wong Chung Chong, Eddie	Beneficial owner and interests held by spouse and trust (note 4)	39,416,823	18.33%
Wong Kai Chi, Kenneth	Beneficiary of trust (note 5)	35,118,319	16.33%
Wong Kai Chung, Kevin	Beneficiary of trust (note 5)	35,118,319	16.33%
Marvin Bienenfeld	Beneficial owner	174,104	0.08%
Chow Yu Chun, Alexander	Beneficial owner	680,104	0.32%
Leung Churk Yin, Jeanny	Beneficial owner	14,104	0.01%
Leung Ying Wah, Lambert	Beneficial owner	80,000	0.04%
Herman Van de Velde	Interests held by a controlled corporation (note 6)	55,184,708	25.66%

Notes:

1. With effect from 23 May 2014, every five issued and unissued shares of HK\$0.10 each were consolidated into one consolidated share of HK\$0.50 each.
2. With effect from 23 May 2014, the number of issued shares were consolidated from 1,075,188,125 shares into 215,037,625 shares.
3. 4,618,504 shares were beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 4,087,200 shares were held by the spouse of Mr. Fung.
4. 4,078,504 shares were beneficially owned by Mr. Wong Chung Chong, Eddie ("Mr. Wong") whereas 220,000 shares were held by the spouse of Mr. Wong and 35,118,319 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Safeguard Trustee Limited, a trustee of a family trust of which Mr. Wong is the settlor and the family members of Mr. Wong were eligible beneficiaries.
5. 35,118,319 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Safeguard Trustee Limited, a trustee of a family trust of which Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin were eligible beneficiaries.
6. 55,184,708 shares were held by VdV. Mr. Herman Van de Velde held an indirect equity interest in Van de Velde Holding N. V. which in turn directly held 56.26% of the equity interest of VdV.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 30 June 2014.

Save as disclosed above, none of the Directors or his/her associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and as far as was known to the Directors of the Company, persons (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Ordinary shares of HK\$0.50 each of the Company

Name of Shareholder	Capacity	Number of issued ordinary shares held (Note 1)	Percentage of the issued share capital of the Company (Note 2)
VdV	Beneficial owner	55,184,708	25.66%
High Union Holdings Inc.	Beneficial owner	35,118,319	16.33%
V. F. Corporation	Beneficial owner	21,200,000	9.86%

Notes:

1. With effect from 23 May 2014, every five issued and unissued shares of HK\$0.10 each were consolidated into one consolidated share of HK\$0.50 each.
2. With effect from 23 May 2014, the number of issued shares were consolidated from 1,075,188,125 shares into 215,037,625 shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 30 June 2014.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The respective percentages of the Group's purchases from major suppliers and revenue attributable to major customers for the year ended 30 June 2014 were as follows:

Percentage of purchases attributable to the Group's largest supplier	9%
Percentage of purchases attributable to the Group's five largest suppliers	31%
Percentage of revenue attributable to the Group's largest customer	34%
Percentage of revenue attributable to the Group's five largest customers	71%

During the year, Mr. Herman Van de Velde, a Non-executive Director of the Company, has a beneficial interest in VdV, which is one of the Group's five largest customers.

All transactions between the Group and the customers concerned were carried out on normal commercial terms.

DIRECTORS' REPORT

CHARITABLE DONATION

During the year, the Group made charitable donations amounting to HK\$188,000 (2013: HK\$149,000).

EMOLUMENT POLICY

As at 30 June 2014, the Group had employed approximately 7,937 employees (30 June 2013: approximately 8,139 employees).

The remuneration policy and package of the Group's employees are structured with reference to the prevailing market conditions and statutory requirements as appropriate. The Group also provides other staff benefits such as medical insurance, mandatory provident fund contributions and a share option scheme to its employees.

Details of remuneration of Directors on an individual basis are disclosed in this report. A significant proportion of the compensation of the Executive Directors is based on individual performance and the financial performance of the Group. The compensation policy for Non-executive Directors is to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group.

The Group established a Compensation Committee in 2001 and its functions and duties are, inter alia, to review and recommend to the Board the overall remuneration policy of the Group as well as the remuneration packages for Executive Directors.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 20 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2014 as required under the Listing Rules of the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices and has throughout the year, except for the deviations stated and explained in the Corporate Governance Report set out on pages 6 to 36 of this report, complied with the code provisions as set out the Corporate Governance Code contained in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange as its own code for dealing in securities of the Company by Directors. Based on specific enquiry of all its Directors, the Company considers that the Directors complied with the required standards set out in the Model Code throughout the year under review.

DIRECTORS' REPORT

AUDITOR

Messrs. Deloitte Touche Tohmatsu retired as auditor of the Company at the conclusion of the annual general meeting held on 6 November 2013 and KPMG was appointed as auditor of the Company to hold office until the conclusion of the AGM.

The consolidated financial statements for the year ended 30 June 2014 have been audited by KPMG who will retire and offer themselves for re-appointment at the AGM.

On behalf of the Board

Fung Wai Yiu

Chairman

Hong Kong
27 August 2014

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF TOP FORM INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Top Form International Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 50 to 107, which comprise the consolidated and company statements of financial position as at 30 June 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong, 27 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2014
(Expressed In Hong Kong Dollars)

	Notes	2014 \$'000	2013 \$'000 (Restated)
Revenue	5	1,131,696	1,054,451
Cost of sales		(928,294)	(879,570)
Gross profit		203,402	174,881
Other income and gains		13,379	15,259
Gain on disposal of properties	7(a)	18,493	–
Selling and distribution expenses		(25,881)	(27,432)
General and administrative expenses		(163,256)	(164,865)
Finance costs	6	(264)	(260)
Profit/(loss) before tax	7	45,873	(2,417)
Income tax expense	9	(6,569)	(1,627)
Profit/(loss) for the year		39,304	(4,044)
Profit/(loss) for the year attributable to:			
Owners of the Company		37,026	(4,687)
Non-controlling interests		2,278	643
		39,304	(4,044)
Profit/(loss) per share	11		
Basic		HK\$0.17	HK\$(0.02)

The notes on pages 58 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	Notes	2014 \$'000	2013 \$'000 (Restated)
Profit/(loss) for the year		39,304	(4,044)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of provision for long service payments	20	104	379
Gain on revaluation of properties upon transfer to investment properties	14	41,872	4,032
Deferred tax liabilities arising on gain on revaluation of properties upon transfer	21	(9,172)	(1,008)
		32,804	3,403
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of overseas operations		(2,062)	3,760
Other comprehensive income for the year, net of income tax		30,742	7,163
Total comprehensive income for the year		70,046	3,119
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		67,884	1,997
Non-controlling interests		2,162	1,122
		70,046	3,119

The notes on pages 58 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

(Expressed in Hong Kong dollars)

	Notes	2014 \$'000	2013 \$'000
Non-current assets			
Property, plant and equipment	12	125,871	144,627
Prepaid lease payments	13	1,623	1,671
Investment properties	14	101,553	58,877
Prepaid rental payments	15	3,075	3,859
Deferred tax assets	21	–	3,131
		232,122	212,165
Current assets			
Inventories	16	177,347	152,040
Debtors and other receivables	17	188,892	132,458
Bills receivable	18	2,982	13,523
Prepaid lease payments	13	48	48
Current tax recoverable		1,136	2,288
Bank balances and cash	18	129,160	136,010
		499,565	436,367
Current liabilities			
Creditors and accrued charges	19	125,575	110,717
Current tax payable		2,619	1,761
		128,194	112,478
Net current assets			
		371,371	323,889
Total assets less current liabilities			
		603,493	536,054
Non-current liabilities			
Retirement benefit obligations	20	1,576	2,173
Deferred tax liabilities	21	24,257	15,515
		25,833	17,688
		577,660	518,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014
(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
Capital and Reserves			
Share capital	23	107,519	107,519
Reserves		449,436	392,304
<hr/>			
Equity attributable to owners of the Company		556,955	499,823
Non-controlling interests		20,705	18,543
<hr/>			
		577,660	518,366

Approved and authorised for issue by the board of directors on 27 August 2014.

Fung Wai Yiu
CHAIRMAN

Wong Chung Chong, Eddie
GROUP MANAGING DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 30 June 2014

(Expressed in Hong Kong dollars)

	Notes	2014 \$'000	2013 \$'000
Non-current assets			
Investments in subsidiaries	29	147,740	147,740
Current assets			
Amounts due from subsidiaries	30	723,756	636,756
Other assets		210	212
		723,966	636,968
Current liabilities			
Creditors and accrued charges		1,882	1,738
Amount due to a subsidiary	30	416,031	406,044
Current tax payable		132	117
		418,045	407,899
Net current assets			
		305,921	229,069
		453,661	376,809
Capital and reserves			
Share capital	23(a)	107,519	107,519
Reserves	23(b)	346,142	269,290
		453,661	376,809

Approved and authorised for issue by the board of directors on 27 August 2014.

Fung Wai Yiu
CHAIRMAN

Wong Chung Chong, Eddie
GROUP MANAGING DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	Notes	Attributable to owners of the Company							Non-controlling interests	Total	
		Share capital	Share premium	Capital redemption reserve	Special reserve (Note)	Asset revaluation reserve	Translation reserve	Retained profits			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 July 2012		107,519	1,499	233	7,139	36,775	11,200	333,461	497,826	17,421	515,247
Exchange differences arising on translation of overseas operations		-	-	-	-	-	3,281	-	3,281	479	3,760
Gain on revaluation of properties upon transfer to investment properties	12	-	-	-	-	4,032	-	-	4,032	-	4,032
Deferred tax liabilities arising on gain on revaluation of properties upon transfer		-	-	-	-	(1,008)	-	-	(1,008)	-	(1,008)
Remeasurement of provision for long service payments (Restated)		-	-	-	-	-	-	379	379	-	379
Loss for the year (Restated)		-	-	-	-	-	-	(4,687)	(4,687)	643	(4,044)
Total comprehensive income for the year		-	-	-	-	3,024	3,281	(4,308)	1,997	1,122	3,119
At 30 June 2013 and 1 July 2013		107,519	1,499	233	7,139	39,799	14,481	329,153	499,823	18,543	518,366
Exchange differences arising on translation of overseas operations		-	-	-	-	-	(1,946)	-	(1,946)	(116)	(2,062)
Gain on revaluation of properties upon transfer to investment properties	12	-	-	-	-	41,872	-	-	41,872	-	41,872
Deferred tax liabilities arising on gain on revaluation of properties upon transfer		-	-	-	-	(9,172)	-	-	(9,172)	-	(9,172)
Remeasurement of provision for long service payments		-	-	-	-	-	-	104	104	-	104
Profit for the year		-	-	-	-	-	-	37,026	37,026	2,278	39,304
Total comprehensive income for the year		-	-	-	-	32,700	(1,946)	37,130	67,884	2,162	70,046
Dividends declared in respect of the current year	10	-	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
At 30 June 2014		107,519	1,499	233	7,139	72,499	12,535	355,531	556,955	20,705	577,660

Note: Special reserve represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of share capital of the companies forming the Group, pursuant to the group reorganisation in 1991.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	2014 \$'000	2013 \$'000 (Restated)
Operating activities		
Profit/(loss) before tax	45,873	(2,417)
Adjustments for:		
Reversal of over-provision for long service payments	(98)	(131)
Change in fair value of investment properties	(873)	(3,090)
Allowance for obsolete inventories	6,167	6,512
Interest income	(1,583)	(1,302)
Finance costs	264	260
Depreciation of property, plant and equipment	27,740	29,035
Release of prepaid lease payments	48	48
Impairment loss on property, plant and equipment	4,208	882
(Gain)/loss on disposal of property, plant and equipment	(18,745)	472
Operating cash flows before movements in working capital	63,001	30,269
Decrease in prepaid rental payments	605	1,288
(Increase)/decrease in inventories	(31,564)	12,005
Increase in debtors and other receivables	(56,192)	(15,723)
Decrease in bills receivable	10,541	17,437
Increase/(decrease) in creditors and accrued charges	16,048	(35,542)
Benefits paid for long service payments	(395)	(350)
Cash generated from operations	2,044	9,384
Hong Kong Profits Tax (paid)/refunded	(395)	976
Taxation paid in other jurisdictions	(1,279)	(1,400)
Net cash generated from operating activities	370	8,960
Investing activities		
Purchase of property, plant and equipment	(16,572)	(19,715)
Addition to investment properties	–	(575)
Interest income	1,583	1,302
Proceeds from disposals of property, plant and equipment	19,112	131
Net cash generated from/(used in) investing activities	4,123	(18,857)
Financing activities		
Repayment of borrowings	–	(3,470)
Interest paid	(264)	(260)
New bank loans raised	–	3,470
Dividends paid	(10,752)	–
Net cash used in financing activities	(11,016)	(260)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	2014 \$'000	2013 \$'000 (Restated)
Net decrease in cash and cash equivalents	(6,523)	(10,157)
Cash and cash equivalents at beginning of the year	136,010	145,665
Effect of foreign exchange rate changes	(327)	502
Cash and cash equivalents at end of the year	129,160	136,010
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	129,160	136,010

The notes on pages 58 to 107 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information of the annual report.

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and distribution of ladies' intimate apparel, principally brassieres.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is different from the functional currency of the Company, being United States dollars ("USD"). As the Company is a public company with shares listed on The Stock Exchange of Hong Kong Limited and most of its investors are located in Hong Kong, the directors consider that HK\$ is preferable in presenting the operating result and financial position of the Group.

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

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

- Amendments to HKAS 1, *Presentation of financial statements* — *Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*
- Amendments to HKFRS 7 — *Disclosures* — *Offsetting financial assets and financial liabilities*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles “statement of profit or loss” and “statement of profit or loss and other comprehensive income” as introduced by the amendments in these financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. The adoption of HKFRS 12 does not have any material impact on the Group’s financial statements.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 14 and 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

Revised HKAS 19, Employee benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the “corridor method” under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to retirement benefit obligations, under which all actuarial gains and losses which were previously recognised in full in profit or loss are now recognised in other comprehensive income. This change in accounting policy has been applied retrospectively by restating the comparatives for the year ended 30 June 2013 as follows:

	As previously reported \$'000	Effect of adoption of revised HKAS 19 \$'000	As restated \$'000
Consolidated statement of profit or loss for the year ended 30 June 2013:			
General and administrative expenses	164,486	379	164,865
Loss for the year	(3,665)	(379)	(4,044)
Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2013:			
Remeasurement of provision for long service payments	–	379	379
Other comprehensive income for the year	6,784	379	7,163
Total comprehensive income for the year	3,119	–	3,119

This change in accounting policy did not have a material impact on current or deferred taxation, earnings per share and equity attributable to the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial period and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

(a) Subsidiaries and non-controlling interests

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(a) Subsidiaries and non-controlling interests – continued

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(n)).

(b) Allocation of total comprehensive income to non-controlling interests

Total comprehensive income of a subsidiary 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

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

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

(d) Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction less their residual values, over their estimated useful life, using the straight-line method. The estimated useful lives, residual value 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Property, plant and equipment – continued

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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 the profit or loss.

(e) Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

(f) Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Leasing

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

(i) The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

(ii) The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Lease prepayments are recognised in the consolidated statement of financial position and the classification is made according to their characteristics:

Leasehold land and building

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

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

Other rental prepayments

Other rental prepayments for operating leases are recognised at cost and amortised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(h) 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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of nonmonetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, 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 interest as appropriate).

(i) Borrowing costs

All borrowing costs for non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

(j) Retirement benefit costs

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leaves, contributions to defined contribution retirement plans, including the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(j) Retirement benefit costs – continued

(ii) Defined retirement benefit costs

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The calculation is performed by a qualified actuary using the projected unit credit method.

Service cost and interest expense on the defined benefit liability are recognised in profit or loss and allocated by function. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the defined benefit liability. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans comprise actuarial gains and losses which are recognised in other comprehensive income and reflected immediately in retained profits.

(k) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(l) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are permanently non-taxable or non-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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(I) Taxation – continued

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (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.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles based on the expected manner as to how the properties will be recovered. The Group has rebutted the presumption for all its investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(m) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instrument.

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 debtors, bills receivable, other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for objective evidence 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(m) Financial instruments – continued

(i) Financial assets – continued

Impairment of financial assets – continued

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, 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 debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(m) Financial instruments – continued

(ii) Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (representing creditors) are subsequently measured at amortised cost, using the effective interest method.

(iii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(n) Impairment of other assets

At the end of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under operating lease;
- prepaid rental payments; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(o) Cash and cash equivalents

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

(p) Provisions and contingent liabilities

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

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

(q) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 SIGNIFICANT ACCOUNTING POLICIES – continued

(q) Related parties – continued

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(r) Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Allowance of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories or that the inventories have no further use. The Group has a concentration of risk with the top five customers domiciled in the United States of America ("USA"), Europe and New Zealand comprising 71% (2013: 72%) of the Group's total revenue. Any further adverse changes in the economic environment of the USA, Europe and New Zealand may impact demand for the Group's products and the net realisable value of the inventory. The allowance also depends on management's assessment of the condition and usefulness of the inventories. Where the expectation of the net realisable value or use of inventories is different from the original estimate, such difference will impact the carrying value of inventories and the allowance of inventories in the consolidated statement of profit or loss. The Group's carrying amount for inventories as at 30 June 2014 was approximately \$177,347,000 (2013: \$152,040,000) net of allowance of inventories of \$32,445,000 (2013: \$38,619,000).

(b) Allowance for doubtful debts

The Group recognises an allowance for doubtful debts based on an assessment of recoverability of trade debtors. The Group has a concentration of risk with the top five customers comprising \$108,388,000 (2013: \$77,000,000) of total trade debtors. The Group's top five customers are domiciled in the USA, Europe and New Zealand and revenue from these customers comprised 71% (2013: 72%) of the Group's total revenue. Any further adverse changes in the economic environment of the USA, Europe and New Zealand may impact the recoverability of the trade debtors. Any change in circumstances pertaining to one of these customers would have a material effect to the carrying amount of trade debtors. Allowances are applied to trade debtors where events or changes in circumstances provide objective evidence that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates with reference to past performance and current events. Where the actual cash flows are less than expectations, such difference will impact the carrying value of trade debtors and doubtful debts expense. As at 30 June 2014, the carrying amount of trade debtors is approximately \$167,983,000 (2013: \$111,042,000), and no impairment loss is recognised for the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

(c) Impairment of property, plant and equipment

As at 30 June 2014, the aggregate carrying amount of the Group's property, plant and equipment is \$125,871,000 (2013: \$144,627,000). Property, plant and equipment are considered for impairment individually. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the cash-generating unit ("CGU") to which the property, plant and equipment belong. The recoverable amount is the higher of fair value less costs of disposal and its value in use. The management considers that the recoverable amount of the relevant CGU to which the relevant assets belong is determined on the basis of the value in use calculation which is higher than its fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate. Where the future cash flows are less or more than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment loss or reversal of impairment loss may arise. Impairment loss of the Group's property, plant and equipment for the year is \$4,208,000 (2013: \$882,000). Details about impairment losses provided during the year are set out in note 12.

5 REVENUE AND SEGMENT INFORMATION

Revenue represents the sale value of goods. The Group manages its business as a single unit and, accordingly, the manufacturing and sale of ladies' intimate apparel is the only reportable segment and virtually all of the turnover and operating profits is derived from this business segment. The consolidated financial statements are already presented in a manner consistent with the way in which information is reported internally to the Company's executive directors, being the chief operating decision maker, for the purposes of resources allocation and operating performance review.

The chief operating decision maker regularly assesses available production capacity on a plant by plant basis, however, no discrete financial information is available for each plant for the purpose of resources allocation and operating performance review. The chief operating decision maker reviews financial information on a consolidated basis. Accordingly, no separate business segment information is disclosed.

The accounting policies of the financial information reviewed by executive directors are the same as the Group's financial statements. Segment revenue is the consolidated revenue of the Group. Segment profit or loss is the consolidated profit or loss after tax.

All the Group's segment assets and liabilities are under the manufacturing business as at 30 June 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 REVENUE AND SEGMENT INFORMATION – continued

(a) Other information

(i) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and information about geographical location of its non-current assets. The geographical location of customers is based on the location to which the goods are delivered.

	Revenue from external customers		Non-current assets	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Hong Kong	9,992	25,240	21,885	4,133
USA	595,945	518,221	–	–
Belgium	89,084	72,500	–	–
New Zealand	79,267	69,650	–	–
France	65,886	61,142	–	–
The Netherlands	61,783	82,011	–	–
United Kingdom	38,587	23,979	–	–
Spain	34,278	25,030	–	–
Canada	30,554	32,799	–	–
Sri Lanka	23,069	14,473	–	–
Italy	18,545	18,845	–	–
Germany	18,056	20,699	–	–
Mexico	16,020	11,660	–	–
The People's Republic of China ("PRC")	11,138	16,529	156,341	141,200
Japan	9,425	13,715	–	–
Thailand	705	1,534	47,962	50,269
Cambodia	–	–	5,934	13,432
Others	29,362	46,424	–	–
	1,131,696	1,054,451	232,122	209,034

Note: Non-current assets exclude deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 REVENUE AND SEGMENT INFORMATION – continued

(a) Other information – continued

(ii) Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group from the manufacturing operating segment are as follows:

	2014 \$'000	2013 \$'000
Customer A	382,314	388,955
Customer B	129,120	127,393

6 FINANCE COSTS

	2014 \$'000	2013 \$'000
Interest on: — Bank borrowings wholly repayable within five years	264	260

7 PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging/(crediting):

	2014 \$'000	2013 \$'000
Auditor's remuneration	1,834	2,709
Depreciation of property, plant and equipment	27,740	29,035
Impairment loss on property, plant and equipment	4,208	882
Allowance for obsolete inventories (included in costs of sales)	6,167	6,512
Release of prepaid lease payments	48	48
(Gain)/loss on disposal of property, plant and equipment (<i>note (a)</i>)	(18,745)	472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7 PROFIT/(LOSS) BEFORE TAX – continued

Profit/(loss) before tax has been arrived at after charging/(crediting) – continued:

	2014	2013
	\$'000	\$'000
		(Restated)
Gross rental income from investment properties	(3,303)	(2,741)
Less: Direct operating expenses from investment properties that generate rental income during the year	27	–
	(3,276)	(2,741)
Minimum lease payments paid under operating leases in respect of land and buildings (<i>note (b)</i>)	12,591	14,874
Change in fair value of investment properties	(873)	(3,090)
Cost of inventories recognised as an expense	922,127	873,058
Net exchange loss/(gain)	389	(1,738)
Staff costs, including directors' emoluments (<i>note (c)</i>)	409,958	369,688
Insurance compensation refunded	(2,429)	(2,296)
Interest income	(1,583)	(1,302)

Notes:

- (a) Included in the amount is a gain of \$18,493,000 resulted from a disposal of leasehold land and building on 28 February 2014 which is separately presented in the consolidated statement of profit or loss.
- (b) Included in the amount are operating lease rentals of \$1,220,000 (2013: \$1,251,000) in respect of staff quarters.
- (c) Details of directors' emoluments included in staff costs are disclosed in note 8. Staff costs included amounts in respect of retirement benefit schemes contributions of \$25,331,000 (2013: \$26,236,000) and reversal of provision for long service payments of \$98,000 (2013: \$131,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors

Details of emoluments paid or payable by the Group to the Directors (including Non-executive Directors) disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

	2014 \$'000	2013 \$'000
Fees to Non-executive Directors	1,400	1,400
Remuneration to Executive Directors:		
— Salaries and other benefits	10,071	9,618
— Discretionary gratuity on retirement	2,000	—
— Retirement benefit scheme contributions	60	59
Total Directors' emoluments	13,531	11,077

	Fees \$'000	Salaries and other benefits \$'000	Discretionary gratuity on retirement \$'000	Retirement benefit scheme contributions \$'000	2014 Total \$'000
Fung Wai Yiu	—	3,396	2,000	15	5,411
Wong Chung Chong, Eddie	—	3,412	—	15	3,427
Wong Kai Chi, Kenneth	—	1,707	—	15	1,722
Wong Kai Chung, Kevin	—	1,556	—	15	1,571
Lucas A.M. Laureys	200	—	—	—	200
Leung Churk Yin, Jeanny	200	—	—	—	200
Herman Van de Velde	200	—	—	—	200
Marvin Bienenfeld	200	—	—	—	200
Chow Yu Chun, Alexander	200	—	—	—	200
Leung Ying Wah, Lambert	200	—	—	—	200
Lin Sun Mo, Willy	200	—	—	—	200
	1,400	10,071	2,000	60	13,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 DIRECTORS' AND EMPLOYEES' REMUNERATION – continued

(a) Directors – continued

	Fees \$'000	Salaries and other benefits \$'000	Discretionary gratuity on retirement \$'000	Retirement benefit scheme contributions \$'000	2013 Total \$'000
Fung Wai Yiu	–	3,396	–	14	3,410
Wong Chung Chong, Eddie	–	3,412	–	15	3,427
Wong Kai Chi, Kenneth	–	1,544	–	15	1,559
Wong Kai Chung, Kevin	–	1,266	–	15	1,281
Lucas A.M. Laureys	200	–	–	–	200
Leung Churk Yin, Jeanny	200	–	–	–	200
Herman Van de Velde	200	–	–	–	200
Marvin Bienenfeld	200	–	–	–	200
Chow Yu Chun, Alexander	200	–	–	–	200
Leung Ying Wah, Lambert	200	–	–	–	200
Lin Sun Mo, Willy	200	–	–	–	200
	1,400	9,618	–	59	11,077

No Director waived any emoluments during either year.

(b) Employees

Of the five individuals with the highest emoluments in the Group, four (2013: three) were Directors of the Company whose emoluments are included in the disclosure above. The emolument of the remaining one individual (2013: two individuals) was as follows:

	2014 \$'000	2013 \$'000
Salaries and other benefits	1,697	4,704
Retirement benefit scheme contributions	15	8
	1,712	4,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 DIRECTORS' AND EMPLOYEES' REMUNERATION – continued

(b) Employees – continued

The emoluments were within the following bands:

	Number of individuals	
	2014	2013
\$1,500,001 – \$2,000,000	1	1
\$2,500,001 – \$3,000,000	–	1

9 INCOME TAX EXPENSE

	2014 \$'000	2013 \$'000
Current tax:		
Hong Kong	2,359	899
Other jurisdictions	1,350	992
	3,709	1,891
Over-provision in prior years:		
Hong Kong	(25)	(12)
Deferred taxation (note 21)		
Current year	2,885	(252)
	6,569	1,627

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9 INCOME TAX EXPENSE – continued

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Certain subsidiaries of the Group operating in the PRC were eligible for tax holidays up to 31 December 2012 in respect of PRC income tax such that they are exempted from PRC income taxes for the two years starting from their first profit-making year, followed by a 50% deduction for the next three years. The PRC income tax charges were arrived at after taking into account of these tax incentives.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The tax expense for the year is reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss as follows:

	2014	2013
	\$'000	\$'000
		(Restated)
Profit/(loss) before tax	45,873	(2,417)
Tax at the Hong Kong Profits Tax rate of 16.5%	7,569	(399)
Tax effect of expenses not deductible for tax purposes	1,258	545
Tax effect of income not taxable for tax purposes	(3,164)	(1,413)
Tax effect of tax losses not recognised	1,591	3,418
Tax effect of utilisation of tax losses previously not recognised	(1,990)	(950)
Tax effect of deductible temporary differences not recognised	732	–
Over-provision in prior years	(25)	(12)
Effect of different tax rates of subsidiaries operating in other jurisdictions	546	414
Others	52	24
Income tax expense for the year	6,569	1,627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 DIVIDENDS

Dividends recognised as distribution during the year:

	2014 \$'000	2013 \$'000
2014 Interim — \$0.05 (2013: \$Nil) per share	10,752	—

A final dividend of HK\$0.05 (2013: HK\$Nil) per share totalling HK\$10,752,000 and a special dividend of HK\$0.05 (2013: HK\$Nil) per share totalling HK\$10,752,000 have been proposed by the directors and are subject to approval by the shareholders in the annual general meeting.

An interim dividend of HK\$0.01 per share was paid before the share consolidation had taken place. The aggregate interim dividends of every five shares are equivalent to HK\$0.05 per share after incorporating the effect of share consolidation. Further details of share consolidation are set out in note 23(a).

11 PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share attributable to the owners of the Company is based on the following data:

	2014 \$'000	2013 \$'000 (Restated)
Profit/(loss) attributable to owners of the Company for the purpose of computing basic profit/(loss) per share	37,026	(4,687)

	Number of shares 2014	2013 (Restated)
Number of ordinary shares for the purpose of computing basic profit/(loss) per share	215,037,625	215,037,625

No diluted profit/(loss) per shares has been presented because there are no potential dilutive ordinary shares outstanding for both years.

As a result of the share consolidation as disclosed in note 23(a), the number of ordinary shares for the purpose of computing basic loss per share for the year ended 30 June 2013 has been restated as if the share consolidation had taken place on 1 July 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Leasehold land and buildings \$'000	Leasehold improvements \$'000	Furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Cost*:							
At 1 July 2012	5,140	102,041	82,789	281,197	12,921	430	484,518
Currency realignment	383	970	414	2,058	55	-	3,880
Additions	-	1,104	6,779	11,832	-	-	19,715
Reclassification	-	-	430	-	-	(430)	-
Surplus on revaluation*	-	4,032	-	-	-	-	4,032
Transfer to investment properties*	-	(4,379)	-	-	-	-	(4,379)
Disposals/write-off	-	-	(13,623)	(8,135)	(364)	-	(22,122)
At 30 June 2013	5,523	103,768	76,789	286,952	12,612	-	485,644
At 1 July 2013	5,523	103,768	76,789	286,952	12,612	-	485,644
Currency realignment	(256)	(1,441)	(593)	(2,339)	(84)	-	(4,713)
Additions	-	76	2,820	11,166	2,449	61	16,572
Reclassification	-	350	(350)	-	-	-	-
Surplus on revaluation*	-	41,872	-	-	-	-	41,872
Transfer to investment properties*	-	(45,377)	-	-	-	-	(45,377)
Disposals/write-off	-	(1,573)	(2,953)	(1,990)	(2,482)	-	(8,998)
At 30 June 2014	5,267	97,675	75,713	293,789	12,495	61	485,000
Depreciation and impairment:							
At 1 July 2012	-	37,574	57,750	225,463	10,077	-	330,864
Currency realignment	-	117	262	1,549	37	-	1,965
Charge for the year	-	5,081	8,512	14,293	1,149	-	29,035
Impairment	-	-	-	525	357	-	882
Eliminated on transfer to investment properties	-	(210)	-	-	-	-	(210)
Eliminated on disposals/write-off	-	-	(13,114)	(8,041)	(364)	-	(21,519)
At 30 June 2013	-	42,562	53,410	233,789	11,256	-	341,017
At 1 July 2013	-	42,562	53,410	233,789	11,256	-	341,017
Currency realignment	-	(214)	(505)	(1,571)	(84)	-	(2,374)
Charge for the year	-	5,028	7,923	13,772	1,017	-	27,740
Impairment	-	-	4,208	-	-	-	4,208
Eliminated on transfer to investment properties	-	(2,831)	-	-	-	-	(2,831)
Eliminated on disposals/write-off	-	(1,573)	(2,928)	(1,648)	(2,482)	-	(8,631)
At 30 June 2014	-	42,972	62,108	244,342	9,707	-	359,129
Net book value:							
At 30 June 2014	5,267	54,703	13,605	49,447	2,788	61	125,871
At 30 June 2013	5,523	61,206	23,379	53,163	1,356	-	144,627

* Except for the leasehold and buildings being transferred to investment properties which were revaluated at fair value at the time of transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment, except for freehold land and construction in progress, are depreciated on a straight-line basis at the following rates per annum:

– Freehold land	0%
– Leasehold land	Over the terms of the leases
– Buildings	Over the shorter of the term of the lease, or 2% – 6.5%
– Leasehold improvements	20%
– Furniture, fixtures and equipment	10% – 33%
– Motor vehicles	20% – 30%

During the year ended 30 June 2014, the directors conducted a review of the Group's property, plant and equipment and identified certain of the Group's leasehold factory premises have been impaired. Accordingly, impairment loss of \$4,208,000 has been recognised to write down the net carrying amounts of these items of property, plant and equipment. During the year ended 30 June 2013, impairment loss of \$882,000 had been recognised on property, plant and equipment due to physical damage and technical obsolescence.

Note:

(a) The carrying value of the land and buildings shown above comprises:

	2014 \$'000	2013 \$'000
Leasehold land and buildings outside Hong Kong:		
– Long-term lease	3,403	3,526
– Medium-term lease	49,696	56,009
– Short-term lease	1,598	1,657
Leasehold land and buildings in Hong Kong under medium-term lease	6	14
Freehold land outside Hong Kong	5,267	5,523
	59,970	66,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 PREPAID LEASE PAYMENTS

	2014 \$'000	2013 \$'000
<i>Analysed for reporting purposes as:</i>		
Current asset	48	48
Non-current asset	1,623	1,671
	1,671	1,719
<i>The Group's prepaid lease payments comprise:</i>		
Leasehold land outside Hong Kong: — Medium-term lease	1,671	1,719

14 INVESTMENT PROPERTIES

	2014 \$'000	2013 \$'000
<i>Fair value</i>		
At beginning of the year	58,877	49,294
Addition	—	575
Currency realignment	(743)	1,749
Change in fair value of investment properties	873	3,090
Transferred from property, plant and equipment	42,546	4,169
At end of the year	101,553	58,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES – continued

During the year ended 30 June 2014, certain land and buildings with carrying amounts of approximately \$674,000 (2013: \$137,000) were transferred to investment properties at fair value of approximately \$42,546,000 (2013: \$4,169,000) at their respective dates of transfer due to the change of usage as evidenced by end of owner-occupation. The difference between the carrying amount and fair value which amounted to approximately \$41,872,000 (2013: \$4,032,000) is recognised in other comprehensive income.

The fair value of the Group's investment properties at their respective dates of transfer, 30 June 2014 and 2013 have been arrived at on the basis of a valuation carried out on the respective dates by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at using the investment approach by taking into account the current passing rents of the properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenant.

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

Investment properties shown above amounted to \$85,953,000 (2013: \$58,877,000) are situated on land outside of Hong Kong on medium term lease. Investment properties amounted to \$15,600,000 (2013:\$Nil) are situated in Hong Kong on medium term lease.

Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES – continued

Fair value hierarchy – continued

	Fair value at 30 June 2014 \$'000	Fair value measurements as at 30 June 2014 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Investment properties:				
– Industrial – PRC	74,351	–	–	74,351
– Residential – PRC	11,602	–	–	11,602
– Industrial – Hong Kong	15,600	–	–	15,600

Information about Level 3 fair value measurements

	Unobservable input – Capitalisation rate		Unobservable input – Reversionary potential monthly rent	
	Range	Weighted average	Range	Weighted Average
Investment properties				
– Industrial – PRC	2.5% to 3.2%	2.8%	RMB62.9 to RMB63.1 ¹	RMB63.0 ¹
– Residential – PRC	2.3% to 2.8%	2.6%	RMB64.7 to RMB66.3 ¹	RMB65.3 ¹
– Industrial – Hong Kong	2.7% to 3.2%	3.0%	N/A	\$7.5 ²

¹ per square meter

² per square feet

The fair value of investment properties is determined by discounting a projected rental income series associated with the properties using risk-adjusted capitalisation rates. The valuation takes into account the current passing rents and the reversionary potentials and expected occupancy rate of the respective properties. The capitalisation rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the reversionary potential rent and negatively correlated to the risk-adjusted capitalisation rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES – continued

Fair value hierarchy – continued

Information about Level 3 fair value measurements – continued

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	Investment properties – industrial – PRC \$'000	Investment properties – residential – PRC \$'000	Investment properties – industrial – Hong Kong \$'000	Total \$'000
At 1 July 2013	47,380	11,497	–	58,877
Transferred from property, plant and equipment	26,946	–	15,600	42,546
Fair value adjustment	623	250	–	873
Currency realignment	(598)	(145)	–	(743)
At 30 June 2014	74,351	11,602	15,600	101,553

Fair value adjustment of investment properties is recognised in the line item “other income and gains” on the face of the consolidated statement of profit or loss. All the gains recognised in profit or loss for the year arises from the properties held at the end of the reporting period.

15 PREPAID RENTAL PAYMENTS

At 30 June 2014 and 2013, prepaid rental payments represented the prepaid rent for factories in Thailand for fifteen years until June 2024. The current portion of \$1,071,000 (2013: \$1,288,000) is included in debtors and other receivables.

16 INVENTORIES

	2014 \$'000	2013 \$'000
Raw materials	51,334	52,211
Work in progress	72,030	70,719
Finished goods	53,983	29,110
	177,347	152,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17 DEBTORS AND OTHER RECEIVABLES

	2014	2013
	\$'000	\$'000
Trade debtors	167,983	111,042
Other receivables	20,909	21,416
	188,892	132,458

The Group allows an average credit period of 30 days to its trade customers. The management of the Company assesses the credit quality of the trade debtors based on payment due date. An ageing analysis of trade debtors based on the payment due date, at the end of the reporting period is as follows:

	2014	2013
	\$'000	\$'000
Current	128,281	96,028
1 – 30 days	38,131	12,570
31 – 60 days	736	1,110
Over 60 days	835	1,334
	167,983	111,042

As the Group's average credit period is 30 days, a majority of the balances which as disclosed above are within 90 days from the invoice date.

Before accepting any new customers, the Group will assess the potential customer's credit quality.

Included in the Group's trade debtor balance are trade debtors with aggregate carrying amount of \$39,702,000 (2013: \$15,014,000) which are past due at the end of the reporting period for which the Group has not recognised for impairment loss. The Group does not hold any collateral over these balances. The average age of these amounts is 52 days (2013: 70 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 OTHER FINANCIAL ASSETS

(a) Bills receivable

As at 30 June 2014 and 2013, all bills receivable are aged within 30 days. The Group does not hold any collateral over these balances.

(b) Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.001% to 2.91% (2013: 0.001% to 3.2%) per annum.

19 CREDITORS AND ACCRUED CHARGES

	2014 \$'000	2013 \$'000
Trade creditors	64,165	49,085
Other creditors and accrued charges	61,410	61,632
	125,575	110,717

An ageing analysis of trade creditors based on the payment due date at the end of the reporting period is as follows:

	2014 \$'000	2013 \$'000
Current	53,453	45,322
1 – 30 days	7,448	3,088
31 – 60 days	2,465	268
Over 60 days	799	407
	64,165	49,085

As the average credit period on purchases of goods is 30 days, a majority of the balances which as disclosed above are within 90 days from the invoice date. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors and accrued charges mainly represented accrued freight charges, salaries and other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 RETIREMENT BENEFIT SCHEMES

(a) Provision for long service payments

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employees fulfill certain conditions and the termination meets the required circumstances. However, where an employee is simultaneously entitled to a long service payment and to a retirement scheme payment (e.g. from the Mandatory Provident Fund Scheme (the "MPF Scheme")), the amount of the long service payment will be reduced by the benefits arising from the retirement scheme including investment return (loss) accumulated in the scheme.

The most recent actuarial valuation of the present value of the Group's obligation for long service payments was carried out at 30 June 2014 by AON Hewitt, an independent firm of human resource consultants and actuaries. The present value of the Group's obligation for long service payments, the related current service cost and actuarial gain/loss were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014	2013
Discount rate	1.9% per annum	2% per annum
Expected rate of salary increases	3% per annum	3% per annum
Interest return on contributions	5% per annum	5% per annum

The below analysis shows how the defined benefit obligation as at 30 June 2014 would have increased/ (decreased) as a result of 1% change in the significant actuarial assumptions:

	Increase in 1% \$'000	Decrease in 1% \$'000
Discount rate	(141)	164
Future salary increases	153	(209)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 RETIREMENT BENEFIT SCHEMES – continued

(a) Provision for long service payments – continued

Amounts recognised in profit or loss and other comprehensive income in respect of these long service payments are as follows:

	2014 \$'000	2013 \$'000 (Restated)
Current service cost	(139)	(160)
Interest cost	41	29
Amount credited for the year (included in staff costs under general and administrative expenses)	(98)	(131)
Actuarial gains	(104)	(379)
Amounts credited for the year (included in other comprehensive income)	(104)	(379)
Total defined benefit costs	(202)	(510)

Movements in the present value of the long service payments in the current and prior years are as follows:

	2014 \$'000	2013 \$'000
At 1 July	2,173	3,033
Current service cost	(139)	(160)
Interest cost	41	29
Actuarial gains	(104)	(379)
Benefits paid	(395)	(350)
At 30 June	1,576	2,173

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 RETIREMENT BENEFIT SCHEMES – continued

(b) Defined contribution schemes

The Group has joined the MPF Scheme for all employees in Hong Kong who have registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contributions are available to reduce the contributions payable in the future years.

The eligible employees of the Company's subsidiaries in the PRC are members of pension schemes operated by the PRC local governments. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The assets of the schemes are held separately from those of the Group in funds under the control of the Chinese local government.

The total cost charged to consolidated statement of profit or loss of \$25,233,000 (2013 (restated): \$26,105,000) represents contributions payable to these schemes by the Group in respect of the current year.

21 DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014	2013
	\$'000	\$'000
Deferred tax assets	–	(3,131)
Deferred tax liabilities	24,257	15,515
	24,257	12,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 DEFERRED TAXATION – continued

The following are the major deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years:

	Depreciation allowance in excess/ (deficit) of the related depreciation \$'000	Revaluation of properties \$'000	Unrealised loss on inventory \$'000	Tax losses \$'000	Total \$'000
At 1 July 2012	1,194	12,258	2,162	(4,422)	11,192
(Credited)/charged to profit or loss	(731)	773	(1,585)	1,291	(252)
Currency realignment	–	436	–	–	436
Charged to other comprehensive income	–	1,008	–	–	1,008
At 30 June 2013 and 1 July 2013	463	14,475	577	(3,131)	12,384
(Credited)/charged to profit or loss	(629)	218	165	3,131	2,885
Currency realignment	–	(184)	–	–	(184)
Charged to other comprehensive income	–	9,172	–	–	9,172
At 30 June 2014	(166)	23,681	742	–	24,257

At the end of the reporting period, the Group has unused tax losses of \$147,950,000 (2013: \$171,347,000) available for offset against future profits. A deferred tax asset has been recognised in respect of \$Nil (2013: \$18,967,000) of such losses. No deferred tax asset has been recognised in respect of the remaining \$147,950,000 (2013: \$152,380,000) due to the unpredictability of future profit streams. During the year, tax losses of \$1,217,000 (2013: \$2,795,000) were expired and were no longer available to offset against future profits. Included in unrecognised tax losses of the Group are losses of \$63,557,000 (2013: \$60,503,000), \$26,587,000 (2013: \$33,974,000) and \$16,891,000 (2013: \$16,536,000) attributable to subsidiaries in the PRC, Thailand and Cambodia, respectively, that will gradually expire up to 2019. Other losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was \$20,490,000 (2013: \$26,352,000). No liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 \$'000	2013 \$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	306,559	268,029
Financial liabilities		
Creditors and other payables — Amortised cost	69,164	59,171

(b) Financial risk management objectives and policies

The Group's major financial instruments include debtors, bills receivable, other receivables, creditors and bank balances. 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.

(i) Market risk

There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(a) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 26% (2013: 28%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, while almost 68% (2013: 60%) of purchase costs are not denominated in the group entity's functional currency. The Group does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Euro ("EUR")	15,365	13,699	–	420
Renminbi ("RMB")	74,578	60,539	3,406	7,479
USD	31,532	16,090	288	–
HK\$	263	631	38,120	28,375

The above assets and liabilities include outstanding EUR, RMB, USD and HK\$ debtors and creditors and bank balances and cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(i) Market risk – continued

(a) Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to fluctuations in exchange rates of EUR, RMB, USD and HK\$. For fluctuations of USD against HK\$, there will be no significant impact as HK\$ is pegged with USD.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in functional currency against the relevant foreign currencies. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% (2013: 5%) change in foreign currency rates. The sensitivity analysis includes external receivables and payables and also current accounts with the group entities where the denomination of the current accounts is in a currency other than the functional currency of the relevant group entities. A positive number below indicates an increase in post-tax profit or a decrease in post-tax loss for the year where functional currencies of relevant group entities strengthens 5% (2013: 5%) against the relevant foreign currencies. For a 5% (2013: 5%) weakening of functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year (2013: loss for the year).

	2014 Change in post-tax profit and retained profits \$'000	2013 Change in post-tax loss and retained profits \$'000
EUR	(642)	(554)
RMB	(1,810)	(2,102)

(b) Interest rate risk

As at 30 June 2014 and 2013, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances.

Sensitivity analysis

As at 30 June 2014 and 2013, the management expects interest rate risk will not have a material impact on the Group's operating result. Hence, a sensitivity analysis is not presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(ii) Credit risk

As at 30 June 2014 and 2013, 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, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The bank balances and deposits are concentrated on certain counterparties and the credit risk on liquid funds is limited because the counterparties are banks with high crediting ratings.

In respect of debtors, the Group's exposure to credit risk is influenced mainly by the market demand in intimate apparel industry and economic conditions in the USA, Europe and New Zealand. At the end of the reporting period, the Group had a certain concentration risk as approximately 65% (2013: 69%) of trade debtors was due from the top five major customers.

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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. At 30 June 2014, the Group had undrawn bank borrowing facilities of \$147,034,000 (2013: \$159,000,000).

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 month \$'000	1 to 3 months \$'000	Over 3 months \$'000	Total undiscounted cash flows \$'000	Carrying amount at 30 June \$'000
2014						
Non-derivative financial liabilities						
Creditors	-	46,340	22,420	404	69,164	69,164
2013						
Non-derivative financial liabilities						
Creditors	-	52,868	5,780	523	59,171	59,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 FINANCIAL INSTRUMENTS – continued

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

23 SHARE CAPITAL AND RESERVES

(a) Share capital

	2014		2013	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Ordinary shares of HK\$0.50 (2013: \$0.10) each				
<i>Authorised:</i>				
At beginning of the year	1,500,000,000	150,000	1,500,000,000	150,000
Shares consolidation	(1,200,000,000)	–	–	–
At the end of the year	300,000,000	150,000	1,500,000,000	150,000
<i>Issued and fully paid:</i>				
At beginning of the year	1,075,188,125	107,519	1,075,188,125	107,519
Shares consolidation	(860,150,500)	–	–	–
At the end of the year	215,037,625	107,519	1,075,188,125	107,519

On 22 May 2014, an ordinary resolution has been passed in a special general meeting of the Company that every five issued and unissued shares of HK\$0.10 each in the share capital of the Company be consolidated into one share of HK\$0.50 each.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 SHARE CAPITAL AND RESERVES – continued

(b) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the reserves of the Company are as follows:

	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
At 1 July 2012	107,519	1,499	233	124,802	142,107	376,160
Profit and total comprehensive income for the year	–	–	–	–	649	649
At 30 June 2013 and 1 July 2013	107,519	1,499	233	124,802	142,756	376,809
Profit and total comprehensive income for the year	–	–	–	–	87,604	87,604
Dividends declared in respect of the current year	–	–	–	–	(10,752)	(10,752)
At 30 June 2014	107,519	1,499	233	124,802	219,608	453,661

(c) Distributability of reserves

At 30 June 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was \$344,410,000 (2013: \$267,558,000).

(d) Profit attributable to equity shareholders of the Company

The consolidated profit/(loss) attributable to equity shareholders of the Company include a profit of \$604,000 (2013: \$649,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2014 \$'000	2013 \$'000
Amount of consolidated profit attributable to equity shareholders dealt with in the company's financial statements	604	649
Reversal of provision of impairment losses on amounts due from subsidiaries	87,000	–
Company's profit for the year	87,604	649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 SHARE OPTION SCHEME

Pursuant to a resolution passed on 3 November 2011 (the "Adoption Date"), a new share option scheme (the "Scheme") of the Company was adopted for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board, and the Scheme will end on 2 November 2021. Under the Scheme, the Board may grant options to eligible employees, including directors, executives or officers of the Company and its subsidiaries and any other persons at the discretion of the Board to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the Adoption Date, being 107,518,812 shares. Following the share consolidation as disclosed in note 23(a), the total number of shares which may be issued on exercise of the options which may be granted under the Scheme shall not exceed 21,503,762 shares. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any 12-month period in excess of 0.1% of the Company's issued share capital and with a value in excess of HK\$5 million on the date of offer must be approved in advance by the Company's independent shareholders.

Options granted must be taken up within 14 days of the date of offer, upon payment of HK\$1 per grant. Options may generally be exercised at any time from the second anniversary of the date of acceptance to the tenth anniversary of the date of acceptance or may at the Board's discretion determine the specific exercise period. The exercise price is determined by the Board, and will not be less than the highest of the closing price of the Company's shares on the date of offer and the average closing price of the shares for the five business days immediately preceding the date of offer and the nominal value of the Company's shares. During the years ended 30 June 2014 and 2013, no share options were granted, exercised, cancelled or lapsed.

As at 30 June 2014 and 2013, no share options of the Company were being held by the Directors or anyone else under the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

	2014 \$'000	2013 \$'000
Within one year	12,433	10,569
In the second to fifth year inclusive	25,024	18,773
After five years	9,909	12,510
	47,366	41,852

Leases are negotiated for lease term of one to fifteen years and rentals are fixed over the terms of the relevant leases.

(b) The Group as lessor

Property rental income earned during the year was \$3,303,000 (2013: \$2,741,000). All of the properties held have committed tenants for the next 1 to 5 years.

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

	2014 \$'000	2013 \$'000
Within one year	4,542	2,825
In the second to fifth year inclusive	13,580	10,674
After five years	848	22
	18,970	13,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 CAPITAL COMMITMENTS

	2014 \$'000	2013 \$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	3,801	1,776

27 RELATED PARTY TRANSACTIONS/BALANCES

During the year, the Group processed supplied materials and delivered the finished products to a related company, Van de Velde N.V. ("VdV") for revenue of approximately \$89,084,000 (2013: \$72,497,000).

Mr. Herman Van de Velde, a non-executive director of the Company, has a beneficial interest in VdV, which held an effective interest of 25.66% (2013: 25.66%) in the Company as at 30 June 2014.

As at 30 June 2014, the balance of trade receivables from VdV amounted to \$4,181,000 (2013: \$2,370,000) which are aged less than 30 days.

The above related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Reports of the directors.

(a) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year is as follows:

	2014 \$'000	2013 \$'000
Salaries and other benefits	15,168	15,722
Retirement benefit scheme contributions	75	67
	15,243	15,789

The remuneration of Directors and key management is determined by the Group's compensation committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

29 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2014 are as follows:

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of nominal value of issued ordinary share capital/ registered capital held directly/ indirectly by the Company %	Principal activities
Charming Elastic Fabric Company Limited 綉麗橡根帶織品有限公司	Hong Kong	Ordinary – HK\$316,667 Deferred – HK\$810,000	60	Manufacture of elastic garment straps
Foshan Nanhai Top Form Underwear Co., Ltd. # 佛山市南海黛麗斯內衣有限公司	The PRC	Capital contribution – HK\$20,800,000	100	Manufacture of ladies' underwear
佛山市南海漫多姿內衣有限公司#	The PRC	Capital contribution – US\$500,000	100	Manufacture of ladies' underwear
Grand Gain Industrial Limited 建盈實業有限公司	Hong Kong	Ordinary – HK\$100,000	60	Moulding and laminating business
Long Nan Grand Gain Underwear Co., Ltd. # 龍南縣建盈內衣有限公司	The PRC	Capital contribution – US\$1,800,000	60	Moulding and laminating business
Long Nan County Top Form Underwear Co., Ltd. # 龍南縣黛麗斯內衣有限公司	The PRC	Capital contribution – HK\$57,000,000	100	Manufacture of ladies' underwear
Shenzhen Top Form Underwear Co., Limited ^a 深圳黛麗斯內衣有限公司	The PRC	Capital contribution – RMB4,993,000	70	Property investment and provision of consultancy services in relation to ladies intimate apparel and accessories
Top Form Brassiere Mfg. Co., Limited 黛麗斯胸圍製造廠有限公司	Hong Kong	Ordinary – HK\$100 Deferred – HK\$4,000,000	100	Manufacture and trading of ladies' underwear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29 PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of nominal value of issued ordinary share capital/ registered capital held directly/ indirectly by the Company %	Principal activities
Top Form (B.V.I.) Limited*	British Virgin Islands	Ordinary – US\$50,000	100	Investment holding
Top Form Brassiere (Maesot) Co., Ltd	Thailand	Ordinary – Baht 56,000,000	100	Manufacture of ladies' underwear
Topfull Development Limited 統富發展有限公司	Hong Kong	Ordinary – HK\$2	100	Property holding in the PRC
Unique Form Manufacturing Company Limited 特麗儂內衣製造廠有限公司	Hong Kong	Ordinary – HK\$1,000 Deferred – HK\$200	100	Trading of ladies' underwear
Xinfeng County Grand Gain Underwear Co., Ltd. # 信豐縣建盈內衣有限公司	The PRC	Capital contribution – US\$500,000	100	Manufacture of ladies' underwear
Top Form (Cambodia) Company Limited	Cambodia	Ordinary – US\$1,000,000	100	Manufacture of ladies' underwear

* Directly held by the Company.

These subsidiaries are registered as wholly foreign owned enterprises in the PRC.

^ This subsidiary is registered as a sino-foreign equity joint venture in the PRC.

Note: Except for those subsidiaries with the place of operation mentioned in principal activities, the place of operation is the same as the place of incorporation.

Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣有限公司 (“SZTF”) is a joint venture company established in the PRC and was originally held for a period of twelve years from 28 February 1987. On 27 June 2011, the Group entered into an extension agreement with the joint venture partner to extend the joint venture period until 28 February 2015. Pursuant to the joint venture agreement and the revised joint venture agreement under which the joint venture was established, the Group contributed 70% of the registered capital of SZTF. However, under another agreement entered into between the Group and the joint venture partner, the Group is entitled to 100% of this joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the joint venture partner. The Group is entitled to receive its attributable share of the net assets upon liquidation of the joint venture, and so this joint venture is being accounted for as a subsidiary of the Group.

As at 30 June 2014, all of the deferred shares issued by subsidiaries were held by group companies. The deferred shares carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies. On winding-up, the holders of the deferred shares are entitled to one half of the remaining assets of the respective companies after the first HK\$100 trillion has been distributed equally amongst the holders of the ordinary shares.

None of the subsidiaries had any debt securities subsisting as at 30 June 2014 or at any time during the year.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the Group's assets or results. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. At 30 June 2014, amounts due from certain subsidiaries of \$73,867,000 (2013: \$160,867,000) were determined to be impaired and impairment losses were made.

31 COMPARATIVE FIGURES

As a result of the application of Revised HKAS 19, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed. Further details of these developments are disclosed in note 2.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 30 June 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group is still evaluating the impact and is not yet in a position to conclude.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Group's first financial year commencing after 3 March 2014 (i.e. the Group's financial year which began on 1 July 2014) in accordance with section 358 of that Ordinance. The Company is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the financial statements.

FIVE YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	2010 \$'000 (Restated)	2011 \$'000 (Restated)	2012 \$'000 (Restated)	2013 \$'000 (Restated)	2014 \$'000
Year ended 30 June					
Revenue	1,342,480	1,339,798	1,132,391	1,054,451	1,131,696
Profit/(loss) before taxation	86,715	67,758	(59,877)	(2,417)	45,873
Income tax (expense)/credit	(33,835)	(14,955)	28	(1,627)	(6,569)
Profit/(loss) for the year	52,880	52,803	(59,849)	(4,044)	39,304
Attributable to:					
— Owners of the Company	46,019	51,338	(58,713)	(4,687)	37,026
— Non-controlling interests	6,861	1,465	(1,136)	643	2,278
	52,880	52,803	(59,849)	(4,044)	39,304

ASSETS AND LIABILITIES

	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000
At 30 June					
Total assets	872,085	713,250	681,819	648,532	731,687
Total liabilities	(297,537)	(131,792)	(166,572)	(130,166)	(154,027)
	574,548	581,458	515,247	518,366	577,660
Equity attributable to:					
— Owners of the Company	550,726	563,015	497,826	499,823	556,955
— Non-controlling interests	23,822	18,443	17,421	18,543	20,705
	574,548	581,458	515,247	518,366	577,660

Note: In order to comply with Revised HKAS 19, Employee benefits that is effective during the Group's accounting financial year ended 30 June 2014, the Group adopted new accounting policies for its retirement benefit obligations. Figures for the years ended 30 June 2010 to 2013 have been restated for comparison purpose.



www.topformbras.com