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13 May 2014

The Directors
Best Pacific International Holdings Limited
CCB International Capital Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding Best Pacific International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2013 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 13 May 2014 (the "Prospectus") issued in connection with the proposed listing of the shares of the Company (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 14 June 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a group reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Prospectus (the "Reorganisation"), the Company became the holding company of the Group on 16 January 2014.

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Country/ place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 31 December 2011	2012	2013	Date of this report	Principal activities
				%	%	%	%	
Best Pacific Textile Holdings Limited ("BPT Holdings") . .	British Virgin Islands ("BVI") 11 September 2006	Hong Kong	United States Dollar ("USD")10,000	100	100	100	100	Investment holding
Best Pacific Textile International Limited ("BPT International")	BVI 22 September 2010	Hong Kong	USD100	85	85	85	100	Investment holding
Best Pacific Textile Limited ("BPT") . . .	Hong Kong 13 March 2003	Hong Kong	USD10,000	85	85	85	100	Investment holding
Best Pacific Investment (Hong Kong) Limited ("BP Investment")	Hong Kong 19 October 2010	Hong Kong	Hong Kong Dollar ("HK$")1	85	85	85	100	Investment holding

Name of subsidiary	Country/ place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 31 December 2011	2012	2013	Date of this report	Principal activities
				%	%	%	%	
Best Pacific Textile (Hong Kong) Limited ("BPT(HK)")	Hong Kong 19 October 2010	Hong Kong	HK$1	85	85	85	100	Trading of elastic fabrics
Deluxe Royal Limited ("Deluxe Royal") . . .	Hong Kong 24 March 2009	Hong Kong	HK$10,000	100	100	—**	—	Inactive
New Horizon Investment (Hong Kong) Limited ("New Horizon Investment")	Hong Kong 9 October 2006	Hong Kong	HK$10,000	100	100	100	100	Investment holding
New Horizon Elastic Fabric (Hong Kong) Limited ("New Horizon Elastic") . . .	Hong Kong 19 October 2010	Hong Kong	HK$1	85	85	85	100	Trading of elastic webbing
Dongguan Best Pacific Textile Company Limited* 東莞超盈紡織有限公司 ("Dongguan BPT")	People's Republic of China ("PRC") 24 February 2003	PRC	HK$662,890,000 (note a)	85	85	85	100	Manufacture and trading of elastic fabrics and lace
Dongguan New Horizon Elastic Fabric Company Limited* 東莞潤信彈性織物有限公司 ("Dongguan NHE")	PRC 18 May 2010	PRC	HK$173,000,000 (note b)	100	100	100	100	Manufacture and trading of elastic webbing

* Established in the PRC in form of wholly foreign-owned enterprise.

** Deluxe Royal is disposed of on 12 December 2013. Details are disclosed in note 45.

Notes:

(a) Pursuant to the approval issued by 東莞市對外貿易經濟合作局 (Dongguan Trade and Economic Council) dated 6 May 2010, the total registered capital of Dongguan BPT was increased from HK$295,555,000 to HK$662,890,000. The registered capital paid as at 31 December 2011, 2012, 2013 and the date of this report were HK$465,261,681, HK$640,065,121, HK$662,890,000 and HK$662,890,000, respectively.

(b) Pursuant to the approval issued by 東莞市對外貿易經濟合作局 (Dongguan Trade and Economic Council) dated 28 April 2011, the total registered capital of Dongguan NHE was increased from HK$5,000,000 to HK$173,000,000. The registered capital paid as at 31 December 2011, 2012, 2013 and the date of this report were HK$101,746,522, HK$151,746,522, HK$173,000,000 and HK$173,000,000, respectively.

The financial year end date of the Company and its subsidiaries is 31 December.

We have acted as the statutory auditor of BP Investment, BPT, BPT(HK), New Horizon Investment and New Horizon Elastic for each of the three years ended 31 December 2013. The statutory financial statements of these companies for each of the two years ended 31 December 2012 and the statutory financial statements of BPT(HK) and New Horizon Elastic for each of the three years ended 31 December 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of Deluxe Royal for each of the two years ended 31 December 2012 prepared in accordance with HKFRSs issued by the HKICPA, were audited by V. King & Co., Certified Public Accountants (Practising) Hong Kong, Certified Public Accountants registered in Hong Kong.

The statutory financial statements of Dongguan BPT and Dongguan NHE for each of the two years ended 31 December 2012 were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by 東莞市正域會計師事務所, Certified Public Accountants registered in the PRC.

The statutory financial statements of BP Investment, BPT, New Horizon Investment, Deluxe Royal, Dongguan BPT and Dongguan NHE for the year ended 31 December 2013 have not been issued as they are not yet due for issuance as at the date of this report.

No audited financial statements have been prepared for the Company, BPT Holdings and BPT International since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

We have, however, reviewed all relevant transactions of the Company, BPT Holdings and BPT International during the Relevant Periods and carried out such procedures as we considered necessary for inclusion of their financial information in the Prospectus.

For the purpose of this report, the directors of BPT Holdings and BPT International have prepared the consolidated financial statements of BPT Holdings and BPT International for the Relevant Periods in accordance with HKFRSs issued by the HKICPA, respectively (the "Audited Financial Statements"). We have undertaken independent audits on the Audited Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Audited Financial Statements and management accounts of the Company prepared by the directors of the Company (collectively referred to as the "Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of the Financial Information after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of respective companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and the Company as at 31 December 2013, and of the combined profits and cash flows of the Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2011	2012	2013
	Notes	HK$'000	HK$'000	HK$'000
Revenue	8	1,397,104	1,403,326	1,659,447
Cost of sales		(949,496)	(954,233)	(1,136,990)
Gross profit		447,608	449,093	522,457
Other income	10	17,027	24,559	26,297
Other gains and losses	11	(14,031)	7,201	3,399
Selling and distribution expenses		(62,122)	(68,800)	(75,976)
Administrative expenses		(78,900)	(84,881)	(90,075)
Other expenses		(21,479)	(36,779)	(44,521)
Finance costs	12	(44,432)	(50,162)	(40,424)
Profit before taxation	15	243,671	240,231	301,157
Income tax expense	16	(37,796)	(42,180)	(56,652)
Profit for the year		205,875	198,051	244,505
Other comprehensive income (expense):				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations		35,926	8,978	21,262
Fair value (loss) gain on available-for-sale financial assets		(761)	371	(45)
Other comprehensive income for the year		35,165	9,349	21,217
Total comprehensive income for the year		241,040	207,400	265,722
Profit for the year attributable to				
— Owners of the Company		180,067	174,578	214,559
— Non-controlling interests		25,808	23,473	29,946
		205,875	198,051	244,505
Total comprehensive income attributable to				
— Owners of the Company		209,625	182,800	233,332
— Non-controlling interests		31,415	24,600	32,390
		241,040	207,400	265,722

STATEMENTS OF FINANCIAL POSITION

	Notes	The Group As at 31 December			The Company As at 31 December
		2011	2012	2013	2013
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	19	757,647	889,690	1,032,684	—
Investment properties	20	63,704	65,920	72,152	—
Prepaid lease payments	21	45,317	44,660	44,439	—
Deposits	24	21,946	15,729	32,664	—
Available-for-sale financial assets	26	2,653	3,024	2,979	—
Derivative financial instruments	35	—	1,377	—	—
Deferred tax assets	36	2,009	2,223	886	—
		893,276	1,022,623	1,185,804	—
Current assets					
Inventories	22	231,418	230,631	317,873	—
Prepaid lease payments	21	988	995	1,013	—
Trade and bills receivables	23	393,473	382,553	453,500	—
Other receivables, deposits and prepayments	24	48,500	25,368	15,525	1,123
Held-for-trading investments	25	826	1,419	—	—
Amount due from a director	27	1,448	413	—	—
Amounts due from related companies	28	13,789	92,427	—	—
Tax recoverable		436	8,297	—	—
Derivative financial instruments	35	—	2,174	1,511	—
Pledged bank deposits	29	172,380	187,926	96,107	—
Bank balances and cash	29	125,181	147,686	97,536	8
		988,439	1,079,889	983,065	1,131
Current liabilities					
Trade payables	30	77,874	73,162	107,393	—
Bills payable	31	127,642	169,439	202,316	—
Other payables and accrued charges	32	82,256	104,685	131,078	—
Amounts due to directors	27	103,906	58,141	—	—
Amounts due to related companies	28	88,697	16,571	—	—
Amounts due to subsidiaries	28	—	—	—	7,577
Obligations under finance leases	34	120,908	127,526	37,164	—
Bank borrowings	33	732,793	845,088	345,660	—
Derivative financial instruments	35	814	—	—	—
Financial guarantee liability	44	24,844	37,051	11,623	—
Tax payable		32,454	13,555	17,660	—
		1,392,188	1,445,218	852,894	7,577
Net current (liabilities) asset		(403,749)	(365,329)	130,171	(6,446)
Total assets less current liabilities		489,527	657,294	1,315,975	(6,446)
Non-current liabilities					
Obligation under finance leases	34	44,366	25,304	22,599	—
Bank borrowings	33	19,814	16,203	451,562	—
Deferred income	10	6,672	7,872	9,615	—
		70,852	49,379	483,776	—
Net assets		418,675	607,915	832,199	
Capital and reserves					
Capital	37	79	79	87	8
Reserves	48	360,581	527,373	725,476	(6,454)
Equity attributable to owners of the Company		360,660	527,452	725,563	(6,446)
Non-controlling interests		58,015	80,463	106,636	—
Total equity (Accumulated deficits)		418,675	607,915	832,199	(6,446)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Capital	Investment revaluation reserve	Special reserve	PRC statutory reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note (a))	(Note (b))					
At 1 January 2011	79	348	—	13,910	31,459	127,693	173,489	30,562	204,051
Profit for the year	—	—	—	—	—	180,067	180,067	25,808	205,875
Exchange difference arising on translation	—	—	—	—	30,205	—	30,205	5,721	35,926
Fair value loss on available-for-sale financial assets	—	(647)	—	—	—	—	(647)	(114)	(761)
Other comprehensive (expense) income for the year	—	(647)	—	—	30,205	—	29,558	5,607	35,165
Total comprehensive (expense) income for the year	—	(647)	—	—	30,205	180,067	209,625	31,415	241,040
Transfer from retained earnings to the PRC statutory reserve	—	—	—	7,541	—	(7,541)	—	—	—
Deemed distribution arising from issue of financial guarantee to related companies	—	—	(22,454)	—	—	—	(22,454)	(3,962)	(26,416)
At 31 December 2011	79	(299)	(22,454)	21,451	61,664	300,219	360,660	58,015	418,675
Profit for the year	—	—	—	—	—	174,578	174,578	23,473	198,051
Exchange difference arising on translation	—	—	—	—	7,907	—	7,907	1,071	8,978
Fair value gain on available-for-sale financial assets	—	315	—	—	—	—	315	56	371
Other comprehensive income for the year	—	315	—	—	7,907	—	8,222	1,127	9,349
Total comprehensive income for the year	—	315	—	—	7,907	174,578	182,800	24,600	207,400
Transfer from retained earnings to the PRC statutory reserve	—	—	—	11,321	—	(11,321)	—	—	—
Deemed distribution arising from issue of financial guarantee to related companies	—	—	(16,008)	—	—	—	(16,008)	(2,152)	(18,160)
At 31 December 2012	79	16	(38,462)	32,772	69,571	463,476	527,452	80,463	607,915

	Attributable to owners of the Company								
	Capital	Investment revaluation reserve	Special reserve	PRC statutory reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note (a))	(Note (b))					
Profit for the year	—	—	—	—	—	214,559	214,559	29,946	244,505
Exchange difference arising on translation	—	—	—	—	18,811	—	18,811	2,451	21,262
Fair value loss on available-for-sale financial assets	—	(38)	—	—	—	—	(38)	(7)	(45)
Other comprehensive (expense) income for the year		(38)	—	—	18,811	—	18,773	2,444	21,217
Total comprehensive (expense) income for the year		(38)	—	—	18,811	214,559	233,332	32,390	265,722
Allotment of shares of the Company	8	—	—	—	—	—	8	—	8
Transfer from retained earnings to the PRC statutory reserve	—	—	—	15,226	—	(15,226)	—	—	—
Early termination of financial guarantee (note 44(i))	—	—	15,771	—	—	—	15,771	2,783	18,554
Dividends (note 17)	—	—	—	—	—	(51,000)	(51,000)	(9,000)	(60,000)
At 31 December 2013	87	(22)	(22,691)	47,998	88,382	611,809	725,563	106,636	832,199

Notes:

(a) Several subsidiaries of the Group provide financial guarantees to its related companies, the fair value of the financial guarantees is recognised as deemed distribution to the shareholders at initial recognition. The details of the financial guarantees are set out in note 44.

(b) The PRC statutory reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiaries in accordance with the Articles of Association of the subsidiaries. It can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2011 HK$'000	2012 HK$'000	2013 HK$'000
Operating activities				
Profit before taxation		243,671	240,231	301,157
Adjustments for:				
Interest income		(4,367)	(6,456)	(4,994)
Financial guarantee income		(1,572)	(5,953)	(6,874)
Finance costs		44,432	50,162	40,424
Allowance (reversal of allowance) for bad and doubtful debts, net		3,083	(1,066)	789
Allowance for obsolete inventories, net		6,402	7,412	6,342
Depreciation of property, plant and equipment		59,771	84,769	103,516
Change in fair value of held-for-trading investments		(4)	28	(56)
Change in fair value of derivative financial instruments		663	(7,261)	(3,970)
Change in fair value of investment properties		(3,911)	(1,728)	(5,019)
Gain on disposal of a subsidiary		—	—	(23)
Loss on disposal of property, plant and equipment		84	27	476
Amortisation of prepaid lease payments		958	988	1,013
Unrealised exchange losses arising on translation of current accounts within group entities		16,122	3,332	7,852
Operating cash flows before movements in working capital		365,332	364,485	440,633
Increase in inventories		(122,486)	(4,973)	(90,636)
(Increase) decrease in trade and bills receivables		(111,071)	13,382	(69,617)
(Increase) decrease in other receivables, deposits and prepayments		(20,807)	23,304	9,246
Decrease (increase) in held-for-trading investments		3,478	(621)	1,475
(Increase) decrease in amounts due from related companies		(43)	(718)	761
Increase (decrease) in trade payables		28,919	(5,091)	33,467
Increase in bills payable		58,378	40,479	31,013
(Decrease) increase in other payables and accrued charges		(7,563)	13,399	25,338
Decrease in amounts due to related companies		(30,856)	(8,447)	(343)
Proceeds from settlement of derivative financial instruments		151	2,896	6,010
Cash generated from operations		163,432	438,095	387,347
Income tax paid		(19,244)	(64,348)	(42,193)
PRC withholding tax		—	(5,000)	—
Net cash from operating activities		144,188	368,747	345,154
Investing activities				
Placement of pledged bank deposits		(496,540)	(358,129)	(182,428)
Withdrawal of pledged bank deposits		548,268	342,583	276,329
Interests received		4,367	6,456	4,994
Advance to a director		(7,000)	—	—
Repayment from a director		5,552	1,295	413
Addition of property, plant and equipment		(138,552)	(141,610)	(217,183)
Addition of investment properties		(59,671)	—	—
Government grants received		6,587	1,852	2,509
Proceeds from disposal of property, plant and equipment		—	76	2,064
Disposal of a subsidiary	45	—	—	10
Repayment from related companies		466,663	186,581	301,309
Advance to related companies		(409,563)	(263,840)	(209,643)
Net cash used in investing activities		(79,889)	(224,736)	(21,626)
Financing activities				
Interests paid		(47,557)	(55,343)	(46,773)
Dividends paid		—	—	(60,000)
Repayment to directors		(12,584)	(45,765)	(57,245)
New syndicated loans raised		—	—	435,000
Arrangement fee paid on syndicated loans		—	—	(11,157)
New bank borrowings (other than bills financing) raised		1,000,869	1,309,029	1,714,188
Repayment of bank borrowings (other than bills financing)		(756,903)	(1,126,725)	(2,155,553)
New bills financing raised		497,787	198,521	—
Repayment of bills financing		(663,371)	(276,137)	(55,970)
Advance from related companies		222,192	163,480	19,603
Repayment to related companies		(223,031)	(227,267)	(36,737)
Repayment of obligations under finance leases		(42,718)	(61,909)	(121,683)
Proceeds from allotment of shares of the Company		—	—	8
Net cash used in financing activities		(25,316)	(122,116)	(376,319)
Net increase (decrease) in cash and cash equivalents		38,983	21,895	(52,791)
Cash and cash equivalents at beginning of the year		83,686	125,181	147,686
Effect of foreign exchange rate changes		2,512	610	2,641
Cash and cash equivalents at end of the year, represented by bank balances and cash		125,181	147,686	97,536

NOTES TO FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2013. Its immediate holding company is Grandview Capital Investment Limited ("Grandview"), which is incorporated in the BVI and is wholly owned by Mr. Lu Yuguang ("Mr. Lu"). The address of the Company's registered office and the principal place of business is disclosed in the section headed "Corporate Information" to the Prospectus. The Company acts as investment holding company and its subsidiaries are principally engaged in manufacturing and trading of elastic fabrics and elastic webbing.

The functional currency of the Company is Hong Kong dollar ("HK$"), which is the same as the presentation currency of the Financial Information.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent the Reorganisation which included the following steps:

(a) On 14 June 2013, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK$390,000 divided into 39,000,000 shares of HK$0.01 each. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber, which was transferred to Grandview on the same day. Also, on the same date, 331,499 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant Capital Investment Limited ("Sunbrilliant"), a limited liability company incorporated in the BVI and wholly-owned by Mr. Zhang Haitao ("Mr. Zhang"), and Lakefront Capital Investment Limited ("Lakefront"), a limited liability company incorporated in the BVI and wholly-owned by Mr. Wu Shaolun ("Mr. Wu"), respectively. On 12 December 2013, 331,500 shares, 39,000 shares and 19,500 shares were further allocated and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. Upon the completion of the aforesaid transfer and allotments, Grandview, Sunbrilliant and Lakefront owned 85%, 10% and 5% shares of the Company, respectively.

(b) On 12 December 2013, BPT Holdings entered into a sale and purchase agreement with Mr. Lu Huigen, Mr. Lu's elder brother, pursuant to which BPT Holdings agreed to transfer its entire interest in Deluxe Royal to Mr. Lu Huigen for a consideration of HK$10,000. Upon completion of the transfer, Deluxe Royal ceased to be a subsidiary of the Group.

(c) On 16 January 2014, Mr. Lu transferred 10,000 shares of BPT Holdings to Grandview in consideration of the allotment and issue of 10,000 shares at par value in Grandview to Mr. Lu, and on the same date, Grandview transferred its entire 85% interest in BPT International to BPT Holdings in consideration of the allotment and issue of 7,000 shares at par value in BPT Holdings to Grandview. Upon completion of the aforesaid transfers, BPT Holdings was wholly-owned by Grandview whereas BPT International was held as to 85% by BPT Holdings, 10% by Sunbrilliant and 5% by Lakefront.

(d) On 16 January 2014, BPT Holdings entered into a sale and purchase agreement with each of Sunbrilliant and Lakefront, pursuant to which Sunbrilliant and Lakefront agreed to transfer their respective interests of 10% and 5% in BPT International to BPT Holdings, the consideration of which were settled by the allotment and issue of 2,000 shares and 1,000 shares at par value in BPT Holdings, to Sunbrilliant and Lakefront respectively, with reference to their respective shareholdings in BPT International. As Sunbrilliant and Lakefront had in effect obtained 10% and 5% beneficial interests in New Horizon Investment after the aforesaid transfers and allotments, an additional consideration of approximately HK$ 40 million and HK$ 20 million were paid by Sunbrilliant and Lakefront to Grandview, respectively, and such consideration was determined with reference to the fair value of the 15% equity interests in New Horizon Investment and its subsidiary as at 30 September 2013. Upon completion of the aforesaid transfers, BPT International was wholly-owned by BPT Holdings.

(e) On 16 January 2014, the Company entered into a sale and purchase agreement with each of Grandview, Sunbrilliant and Lakefront, pursuant to which Grandview, Sunbrilliant and Lakefront agreed to transfer 85%, 10% and 5% of their respective interests in BPT Holdings to the Company, the consideration of which was settled by way of allotment and issue of 331,500, 39,000 and 19,500 Shares by the Company to Grandview, Sunbrilliant and Lakefront, respectively, with reference to their respective shareholdings in BPT Holdings. Upon completion of the aforesaid transfers, BPT Holdings was wholly-owned by the Company.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 16 January 2014. The Company and its subsidiaries have been under the common control of Mr. Lu throughout the Relevant Periods or since their respective date of incorporation or establishment, where there is a shorter period.

Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, where there is a shorter period (except for the disposal of Deluxe Royal). The combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation/establishment, where applicable (except for the disposal of Deluxe Royal).

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied the relevant HKFRSs, Hong Kong Accounting Standards ("HKAS"), amendments to standards and interpretations which are effective for annual accounting period beginning on 1 January 2013 throughout the Relevant Periods.

New and revised HKFRSs issued but not yet effective

At the date of this report, the HKICPA has issued the following new standard, amendments to standards and interpretation ("new and revised HKFRSs") which are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKAS 19	Defined benefit plans: employees contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HK(IFRIC) — INT 21	Levies[1]

1 Effective for accounting periods beginning on or after 1 January 2014.

2 Effective for accounting periods beginning on or after 1 July 2014.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Group has not early applied these new and revised HKFRSs that have been issued but are not yet effective in the preparation of the Financial Information.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

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

Based on an analysis of the Group's financial assets and liabilities as at 31 December 2013, the management of the Group anticipates that the adoption of HKFRS 9 will not have any material impact on its financial assets and liabilities.

Other than as described above, the management of the Group anticipates that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values, and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA.

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

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Company controls an investee if and only if the Company has all the following:

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

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

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

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

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

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

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

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

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

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

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 from a financial asset 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the combined statement of financial position and transferred to profit or loss over the useful lives of the related assets.

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

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 value using the fair value model. Gains or losses arising from changes in the fair value of investment property 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 or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (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.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in production or supply of goods or services, or for administrative purposes, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes and is 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. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Buildings under development for future owner-occupied purpose

Cost of buildings under development for future owner-occupied purpose includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the 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 to sell 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 as an expense immediately in profit or loss.

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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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

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.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

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 an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under fair value model. 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.

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 exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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 (the translation reserve) and attributed to non-controlling interests, as appropriate.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information 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 difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes" (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when it relates 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.

Inventories

Inventories mainly consist of textile products and are stated at the lower of cost and net realisable value. Cost 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised in the statements 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 (other than financial assets and financial liabilities at fair value through profit or loss), as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including held-for-trading investments, loans and receivables and available-for-sale financial assets. The Company's financial assets are mainly loans and receivable. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Held-for-trading investments

A financial asset is classified as held-for-trading if:

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

Financial assets classified as held-for-trading investments are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

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 receivable (including trade and bills receivables, other receivables and deposits, amounts due from a director and related companies, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. The accounting policy on impairment loss of financial assets is set out below.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity instruments.

Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available- for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

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

For an available-for-sales equity investment, a significant or prolonged decline in fair value of that investment below its cost is considered to be objective evidence of impairment.

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

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

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 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 a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are 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 was 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.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments carried at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instrument

Financial liabilities 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 entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities include trade payables, bills payable, other payables and accrued charges, amounts due to directors/related parties/subsidiaries and bank borrowings are subsequently measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the companies now comprising the Group after deducting all of its liabilities. Equity instruments issued by group entities are recorded 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 guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequently to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derivative financial instruments

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

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and 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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, management of the Group has reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and that the presumption set out in amendment to HKAS 12 is not rebutted. Therefore, in measuring the Group's deferred taxation on investment properties, management of the Group has determined that the carrying amounts of investment properties measured using the fair value model are presumed to be recovered through sale.

Key sources of estimation uncertainty

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

The following are the key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Allowances for inventories

Management of the Group reviews the inventory aging analysis at the end of the reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. Management of the Group estimates the net realisable value for such inventories based primarily on the latest invoice prices, estimated costs of completion and current market conditions. In addition, the Group carries out an inventory review on an item-by-item basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

Allowances of approximately HK$6,402,000 and HK$7,412,000 and HK$6,342,000 were made for obsolete inventories during the Relevant Periods respectively. The carrying amounts of inventories are approximately HK$231,418,000, HK$230,631,000 and HK$317,873,000 as at 31 December 2011, 2012 and 2013, respectively.

Allowances for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

During the year ended 31 December 2011 and 2013, allowance for bad and doubtful debts of HK$3,083,000 and HK$789,000 was recognised respectively. During the year ended 31 December 2012, reversal of allowance for bad and doubtful debts of HK$1,066,000 was recognised. The carrying amount of trade receivables are approximately HK$383,343,000, HK$379,861,000 and HK$449,341,000 as at 31 December 2011, 2012 and 2013, respectively.

Useful life of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual values, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes.

The depreciation expense for future periods is adjusted if there are significant changes from previous estimates. During the Relevant Periods, the Group determined that there is no change to the estimated useful lives of the property, plant and equipment. The carrying amounts of property, plant and equipment are approximately HK$757,647,000, HK$889,690,000 and HK$1,032,684,000 as at 31 December 2011, 2012 and 2013, respectively.

Estimated of fair value of investment properties

Investment properties were revalued at the end of the reporting period by reference to the income approach taking into account the net rental income of the properties derived from the existing leases and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties may be significantly affected. As at 31 December 2011, 2012 and 2013, the fair values of investment properties are approximately HK$63,704,000, HK$65,920,000 and HK$72,152,000, respectively. Further information is set out in note 20.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. During the year ended 31 December 2011 and 2012, the capital structure of the Group consists of debts, which include the amounts due to directors and related companies and bank borrowings disclosed in notes 27, 28 and 33 respectively and equity attributable to owners of the Company, comprising capital disclosed in note 37 and reserves. During the year ended 31 December 2013, the management aimed to reduce the reliance on financing from related companies and directors and had repaid these balances prior to 31 December 2013. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issue as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP			THE COMPANY
	As at 31 December			As at 31 December
	2011	2012	2013	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	725,528	831,989	661,613	8
Held-for-trading investments	826	1,419	—	—
Available-for-sale financial assets	2,653	3,024	2,979	—
Derivative financial instruments	—	3,551	1,511	—
Financial liabilities				
Financial liabilities measured at amortised cost	1,231,904	1,277,425	1,227,176	7,577
Derivative financial instruments	814	—	—	—
Obligations under finance leases	165,274	152,830	59,763	—
Financial guarantee liability	24,844	37,051	11,623	—

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, held-for-trading investments, trade and bills receivables, other receivables and deposits, amounts due from/to directors and related companies, pledged bank deposits, bank balances and cash, trade payables, bills payable, other payables and accrued charges, bank borrowings, obligations under finance leases and derivative financial instruments. The Company's financial instruments include bank balances and cash and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

The Company's exposure to financial risk is insignificant.

Market risk

(i) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances, and fair value interest rate risk in relation to fixed-rate pledged bank deposits, bank borrowings and obligations under finance leases and non-interest bearing amounts due from/to directors and related parties.

The Group currently does not have interest rate hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") and benchmark borrowing rate (人民銀行貸款基準利率) quoted by People's Bank of China plus a spread arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

A 50 basis point increase or decrease is used during the Relevant Periods, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011, 2012 and 2013 would decrease/increase by approximately HK$531,000, HK$947,000 and HK$2,566,000 respectively after taking into account of interest capitalisation.

(ii) Currency risk

Certain trade receivables, trade payables, bank balances and cash and bank borrowings are denominated in foreign currencies other than the functional currency of the relevant group entities, which expose the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors 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 liabilities at the end of the reporting periods are as follows:

	Assets		
	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Euro ("EUR") against HK$	98	100	1,562
Renminbi ("RMB") against HK$	14,625	310	7,473
USD against HK$	167,278	153,958	163,130
HK$ against RMB	1,716	37,501	6,890
USD against RMB	500	3	705

	Liabilities		
	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
EUR against HK$	4,043	366	7,907
USD against HK$	131,639	173,823	130,056
HK$ against RMB	70,742	109,722	111,734
USD against RMB	—	—	7,045

The carrying amounts of foreign currency denominated intra-group balances which have been eliminated in the Financial Information of certain subsidiaries of which the functional currency is RMB at the end of the reporting period are as follows:

	Amount due from group entities		
	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
HK$ against RMB	229,179	300,508	158,523

The Group also exposed to foreign currency risk through its investment in structured foreign currency forward contracts (note 35) linked with exchange rate between USD and RMB.

Sensitivity analysis

Since the exchange rate of HK$ is pegged with USD, the Group does not expect any significant movements in the USD/HK$ exchange rates. Therefore, the following sensitivity analysis does not include the effect between USD and HK$.

The following table details the Group's sensitivity to a 10% increase and decrease in the functional currency of the respective group entity against relevant foreign currencies and all other variables were held constant. 10% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and intragroup foreign currency balances and adjusts its translation at the period end for a 10% change in foreign currencies rates. A positive number below indicates an increase in post-tax profit for the year where foreign currencies strengthen 10% against functional currency (HK$ or RMB) of the respective group entity. For a 10% weakening of foreign currencies against functional currency (HK$ or RMB) of the respective group entity there would be an equal and opposite impact on the result for the year.

	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Increase in post-tax profit for the year			
Foreign currencies against HK$	892	4	94
Foreign currencies against RMB	13,631	18,968	3,458

The sensitivity analysis on structured foreign currency forward contracts is estimated by reference to a 10% increase or decrease in exchange rate between USD and RMB. The management of the Group considers that 10% is reasonable change in exchange rate between USD and RMB. The Group's post-tax profit would decrease/increase by approximately HK$8,771,000/HK$976,000, HK$56,115,000/HK$8,434,000 and HK$7,333,000/HK$1,512,000 respectively, where RMB is weaken/strengthen against USD during the year ended 31 December 2011, 2012 and 2013, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity price risk through its available-for-sale financial assets and held-for-trading investments. The management manages this exposure by reviewing the investments performance regularly.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is 10% during the Relevant Periods.

If the prices of the respective equity instruments had been 10% higher/lower and all other variables were held constant, the Group's:

- post-tax profit for the year ended 31 December 2011 and 2012 would increase/decrease approximately by HK$69,000 and HK$118,000 respectively as a result of the changes in fair value of held-for-trading investments; and
- investment revaluation reserve would increase/decrease approximately by HK$265,000, HK$302,000 and HK$298,000 respectively for the year ended 31 December 2011, 2012 and 2013 as a result of the changes in fair value of available-for-sale financial assets.

Credit risk

As at 31 December 2011, 2012 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties as at the end of reporting period are arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position and the amount of contingent liabilities relating to financial guarantees disclosed in note 44. As of 31 December 2013, the Company's exposure to credit risk is insignificant.

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. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses or allowances are made for irrecoverable amounts.

As at 31 December 2011 and 2012, the Group has concentration of credit risk in respect of amounts due from related companies. In order to minimize the credit risk on amounts due from related companies, the Group's management continuously monitors the credit quality and financial conditions of the related companies and the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group's related companies mainly represented entities controlled by Mr. Lu or family members of Mr. Lu. Under such circumstances, the Group's management considers that the Group's credit risk is not material. During the year ended 31 December 2013, these amounts due from related companies have been fully settled.

For the financial guarantees, those guarantees are provided to related companies and the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed parties that the Group issued financial guarantee contracts in favour of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered as not material as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies or state-owned.

Other than concentration of credit risk on liquid funds which are deposited with several reputable banks, the Group had concentration of credit risk on trade receivables as 12%, 13% and 14% of the total trade receivables were due from the Group's largest customer based in Hong Kong and 36%, 31% and 28% of the total trade receivables were due from the Group's largest five customers, which are mainly based in the PRC and Hong Kong, as at 31 December 2011, 2012 and 2013, respectively.

Liquidity risk

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants. The Company relies on financing provided by its subsidiaries.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank borrowings and obligations under finance leases with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks or financial institutions choosing to exercise their rights. The table includes both interest and principal cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate or interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate	Repayable on demand or within 3 months	Between 3 months to 1 year	Between 1 to 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting date
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
At 31 December 2011						
Non-derivative financial liabilities						
Trade payables	—	77,874	—	—	77,874	77,874
Bills payable	—	127,642	—	—	127,642	127,642
Other payables and accrued charges	—	81,178	—	—	81,178	81,178
Amounts due to related companies	—	88,697	—	—	88,697	88,697
Amounts due to directors	—	103,906	—	—	103,906	103,906
Bank borrowings	5.25	345,539	399,917	22,997	768,453	752,607
Obligations under finance leases	3.42	106,969	16,011	46,423	169,403	165,274
Financial guarantee liability	—	375,820	—	—	375,820	24,844
		1,307,625	415,928	69,420	1,792,973	1,422,022
Derivative — gross settlement						
Structured foreign currency forward						
— inflow	—	12,033	12,174	140	24,347	
— outflow	—	(11,700)	(11,563)	—	(23,263)	
		333	611	140	1,084	814
At 31 December 2012						
Non-derivative financial liabilities						
Trade payables	—	73,162	—	—	73,162	73,162
Bills payable	—	169,439	—	—	169,439	169,439
Other payables and accrued charges	—	98,821	—	—	98,821	98,821
Amounts due to related companies	—	16,571	—	—	16,571	16,571
Amounts due to directors	—	58,141	—	—	58,141	58,141
Bank borrowings	5.36	361,962	498,128	18,130	878,220	861,291
Obligations under finance leases	3.93	113,564	15,300	26,069	154,933	152,830
Financial guarantee liability	—	304,637	—	—	304,637	37,051
		1,196,297	513,428	44,199	1,753,924	1,467,306
At 31 December 2013						
Non-derivative financial liabilities						
Trade payables	—	80,987	26,406	—	107,393	107,393
Bills payable	—	163,242	39,074	—	202,316	202,316
Other payables and accrued charges	—	120,245	—	—	120,245	120,245
Bank borrowings	4.26	296,447	73,526	529,127	899,100	797,222
Obligations under finance leases	3.56	19,740	18,752	23,354	61,846	59,763
Financial guarantee liability	—	202,253	—	—	202,253	11,623
		882,914	157,758	552,481	1,593,153	1,298,562
THE COMPANY						
At 31 December 2013						
Non-derivative financial liabilities						
Amounts due to subsidiaries	—	7,577	—	—	7,577	7,577

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee liability are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantees are set out in note 44.

As at 31 December 2011, 2012 and 2013, the aggregate undiscounted principal amount of bank borrowings with repayment on demand clause amounting to HK$16,430,000, HK$63,430,000 and HK$49,374,000 respectively and obligations under finance leases with repayment on demand clause amounting to HK$101,444,000, HK$108,462,000 and HK$13,064,000, respectively, are included in "Repayment on demand or within 3 months" time band in the above maturity analysis. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks or financial institutions will exercise their discretionary rights to demand immediate repayment. Other than the early settlement of certain finance leases during the year ended 31 December 2013, the management of the Group believes that such bank borrowings and other obligations under finance leases will be paid in accordance with the scheduled repayment date set out in the loan agreements.

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank borrowings and obligations under finance leases based on the scheduled repayment dates set out in the agreement as set out in the table below:

	Weighted average interest rate	Within 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings						
As at 31 December 2011	3.52	3,950	4,311	8,953	17,214	16,430
As at 31 December 2012	2.86	9,057	15,174	43,200	67,431	63,430
As at 31 December 2013	3.55	8,007	21,957	22,042	52,006	49,706
Obligations under finance leases						
As at 31 December 2011	4.99	10,621	28,688	70,305	109,614	101,444
As at 31 December 2012	5.08	12,886	36,809	66,505	116,200	108,462
As at 31 December 2013	4.56	2,981	5,768	4,843	13,592	13,064

Fair value measurement

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

		Fair value as at 31 December			Fair value hierarchy	Valuation techniques and key inputs
		2011	**2012**	**2013**		
1)	Held-for-trading investments	Unlisted investment fund in the PRC — HK$826,000	Unlisted investment fund in the PRC — HK$1,419,000	—	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from level 1 inputs
2)	Available-for-sale financial assets	Unit trust — HK$2,653,000	Unit trust — HK$3,024,000	Unit trust — HK$2,979,000	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from level 1 inputs
3)	Structured foreign currency forward contracts (see note 35)	Liabilities — HK$814,000	Assets — HK$3,551,000	Assets — HK$1,511,000	Level 2	Discounted cash flows Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There is no transfer between Level 1 and Level 2 during the Relevant Periods.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Valuation process

The finance manager of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data or information provided by counterparty financial institutions to the extent it is available. Where Level 1 inputs are not available or counterparty financial institutions cannot provide sufficient information in relation to fair value, the management of the Group will engage third party qualified valuers to perform the valuation. The finance manager reports to management of the Group semi-annually to explain the cause of fluctuations in the fair value of the assets.

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

8. REVENUE

The Group's revenue is derived from manufacturing and trading of elastic fabrics and elastic webbing in Hong Kong and the PRC during the Relevant Periods, net of discounts and sales related taxes.

9. SEGMENT INFORMATION

The financial information reported to Mr. Lu, Mr. Zhang and Mr. Wu (directors of the Company), being the chief operating decision markers, for the purpose of assessment of segment performance and resources allocation focuses on types of goods delivered.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Manufacturing and trading of elastic fabrics

  This segment derives its revenue from manufacturing and trading of elastic fabrics made from synthetic fibres that are commonly used in high-end warp knitted lingerie products.

- Manufacturing and trading of elastic webbing

  This segment derives its revenue from manufacturing and trading of elastic webbing made from synthetic fibres that are commonly used as shoulder straps, lingerie trims and waistbands.

Segment revenue and results

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

For the year ended 31 December 2011

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers	938,119	458,985	1,397,104
Segment profits	223,247	84,939	308,186
Unallocated other income			8,714
Unallocated other gains and losses			(10,864)
Unallocated corporate expenses			(17,933)
Finance costs			(44,432)
Profit before taxation			243,671

For the year ended 31 December 2012

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers	929,620	473,706	1,403,326
Segment profits	171,556	113,741	285,297
Unallocated other income			17,531
Unallocated other gains and losses			6,162
Unallocated corporate expenses			(18,597)
Finance costs			(50,162)
Profit before taxation			240,231

For the year ended 31 December 2013

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers	1,095,936	563,511	1,659,447
Segment profits	219,105	125,340	344,445
Unallocated other income			12,862
Unallocated other gains and losses			4,664
Unallocated corporate expenses			(20,390)
Finance costs			(40,424)
Profit before taxation			301,157

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment profit represents the results of each segment without allocation of corporate items including mainly bank interest income, rental income, financial guarantee income, gain on disposal of a subsidiary, change in fair value of derivative financial instruments, change in fair value of held-for-trading investments, change in fair value of investment properties, net foreign exchange gain/loss, corporate expenses and finance costs. Corporate expenses include directors' remuneration paid or payable by the Group, listing expenses and certain administrative expenses for corporate function. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2011

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK$'000	HK$'000	HK$'000
ASSETS			
Segment assets	1,116,336	374,440	1,490,776
Property, plant and equipment			2,001
Investment properties			63,704
Deferred tax assets			2,009
Available-for-sale financial assets			2,653
Held-for-trading investments			826
Other receivables, deposits and prepayments			6,555
Amount due from a director			1,448
Amounts due from related companies			13,746
Tax recoverable			436
Pledged bank deposits			172,380
Bank balances and cash			125,181
Combined total assets			1,881,715

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK$'000	HK$'000	HK$'000
LIABILITIES			
Segment liabilities	213,135	88,115	301,250
Other payables and accrued charges			1,984
Amounts due to directors			103,906
Amounts due to related companies			79,907
Derivative financial instruments			814
Obligations under finance leases			165,274
Bank borrowings			752,607
Tax payable			32,454
Financial guarantee liability			24,844
Combined total liabilities			1,463,040

As at 31 December 2012

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK$'000	HK$'000	HK$'000
ASSETS			
Segment assets	1,213,198	369,642	1,582,840
Property, plant and equipment			1,080
Investment properties			65,920
Deferred tax assets			2,223
Available-for-sale financial assets			3,024
Held-for-trading investments			1,419
Other receivables, deposits and prepayments			6,467
Amount due from a director			413
Amounts due from related companies			91,666
Tax recoverable			8,297
Derivative financial instruments			3,551
Pledged bank deposits			187,926
Bank balances and cash			147,686
Combined total assets			2,102,512
LIABILITIES			
Segment liabilities	264,127	91,175	355,302
Other payables and accrued charges			199
Amounts due to directors			58,141
Amounts due to related companies			16,228
Obligations under finance leases			152,830
Bank borrowings			861,291
Tax payable			13,555
Financial guarantee liability			37,051
Combined total liabilities			1,494,597

As at 31 December 2013

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK$'000	HK$'000	HK$'000
ASSETS			
Segment assets	1,474,081	414,407	1,888,488
Property, plant and equipment			2,591
Investment properties			72,152
Deferred tax assets			886
Available-for-sale financial assets			2,979
Other receivables, deposits and prepayments			6,619
Derivative financial instruments			1,511
Pledged bank deposits			96,107
Bank balances and cash			97,536
Combined total assets			2,168,869
LIABILITIES			
Segment liabilities	312,367	137,596	449,963
Other payables and accrued charges			439
Obligations under finance leases			59,763
Bank borrowings			797,222
Tax payable			17,660
Financial guarantee liability			11,623
Combined total liabilities			1,336,670

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

- all assets are allocated to operating and reportable segments, other than investment properties, available-for-sale financial assets, deferred tax assets, held-for-trading investments, amount due from a director and related companies (non-trade balances), tax recoverable, derivative financial instruments, pledged bank deposits and bank balances and cash and certain corporate assets.

- all liabilities are allocated to operating and reportable segments, other than amounts due to directors and related companies (non-trade balances), derivative financial instruments, obligations under finance leases, bank borrowings, tax payable, financial guarantee liability and certain corporate liabilities.

Other segment information

For the year ended 31 December 2011

	Manufacturing and trading of elastic fabrics HK$'000	Manufacturing and trading of elastic webbing HK$'000	Unallocated HK$'000	Combined HK$'000
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	190,598	146,989	101	337,688
Depreciation of property, plant and equipment	52,037	6,700	1,034	59,771
Amortisation of prepaid lease payments	958	—	—	958
Loss on disposal of property, plant and equipment	84	—	—	84
Allowance for obsolete inventories	6,402	—	—	6,402
Allowance for bad and doubtful debts	2,760	323	—	3,083

For the year ended 31 December 2012

	Manufacturing and trading of elastic fabrics HK$'000	Manufacturing and trading of elastic webbing HK$'000	Unallocated HK$'000	Combined HK$'000
Amounts included in the measure of segment profit or segment assets:				
Addition of property, plant and equipment	189,364	20,886	178	210,428
Depreciation of property, plant and equipment	67,596	16,074	1,099	84,769
Amortisation of prepaid lease payments	988	—	—	988
Loss on disposal of property, plant and equipment	27	—	—	27
Allowance for obsolete inventories	6,115	1,297	—	7,412
Reversal of allowance for bad and doubtful debts	(1,066)	—	—	(1,066)

For the year ended 31 December 2013

	Manufacturing and trading of elastic fabrics HK$'000	Manufacturing and trading of elastic webbing HK$'000	Unallocated HK$'000	Combined HK$'000
Amounts included in the measure of segment profit or segment assets:				
Addition of property, plant and equipment	207,233	25,505	2,085	234,823
Depreciation of property, plant and equipment	84,358	18,735	423	103,516
Amortisation of prepaid lease payments	1,013	—	—	1,013
Loss on disposal of property, plant and equipment	476	—	—	476
Allowance for (reversal of allowance for) obsolete inventories	6,915	(573)	—	6,342
(Reversal of) allowance for bad and doubtful debts	(522)	1,311	—	789

Other than the segment information disclosed above, there was no other information reviewed by the chief operating decision makers for the Relevant Periods.

Geographical information

The Group's operations are located in the PRC and Hong Kong. The Group's revenue from external customers based on the location of the customers are detailed below:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
The PRC	486,868	489,242	547,346
Hong Kong	588,499	554,772	678,308
Sri Lanka	124,544	131,709	178,526
Indonesia	47,425	41,939	52,676
Thailand	35,778	34,972	37,150
Vietnam	21,522	29,472	24,457
Others	92,468	121,220	140,984
	1,397,104	1,403,326	1,659,447

Non-current assets (excluding financial assets and deferred tax assets) by geographical location of assets are detailed below:

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
The PRC	864,573	999,045	1,172,166
Hong Kong	2,095	1,225	2,749
	866,668	1,000,270	1,174,915

Information about major customers

Revenues from customer contributing over 10% of the total revenue of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Customer A			
— Revenue from manufacturing and trading of elastic fabrics	156,113	131,013	181,270
— Revenue from manufacturing and trading of elastic webbing	22,002	27,791	49,471
	178,115	158,804	230,741

10. OTHER INCOME

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Bank interest income	4,367	5,561	4,994
Interest income from a related company	—	895	—
Net proceeds from sales of scrap material income	4,009	5,206	6,526
Financial guarantee income (note 44)	1,572	5,953	6,874
Rental income	45	153	311
Government grants (Note)	4,304	1,822	6,909
Others	2,730	4,969	683
	17,027	24,559	26,297

Note: The amount includes HK$4,189,000, HK$1,112,000 HK$5,989,000 unconditional government grants received during the year ended 31 December 2011, 2012 and 2013, respectively, which was granted to encourage the Group's research and development activities in the PRC.

During the year ended 31 December 2011, 2012 and 2013, the Group also received government grants of HK$6,587,000 and HK$1,852,000 and HK$2,509,000, respectively, in relation to purchase of equipments. The amount received is deferred and is released to other income over the useful lives of the related equipment during the Relevant Periods. Amounts of HK$115,000, HK$710,000 and HK$920,000 were recognised in the profit or loss during the year ended 31 December 2011, 2012 and 2013 respectively. As at 31 December 2011, 2012 and 2013, amounts of HK$6,672,000, HK$7,872,000 and HK$9,615,000 remained to be released and are included in deferred income in the combined statements of financial position, respectively.

11. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Loss on disposal of property, plant and equipment	(84)	(27)	(476)
Gain on disposal of a subsidiary (note 45)	—	—	23
(Allowance for) reversal of allowance for bad and doubtful debts, net	(3,083)	1,066	(789)
Change in fair value of derivative financial instruments	(663)	7,261	3,970
Change in fair value of held-for-trading investments	4	(28)	56
Change in fair value of investment properties	3,911	1,728	5,019
Foreign exchange loss	(16,210)	(3,882)	(11,231)
Foreign exchange gain	2,094	1,083	6,827
	(14,031)	7,201	3,399

12. FINANCE COSTS

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Interests on:			
Bank borrowings wholly repayable within five years	22,020	40,990	41,115
Bills financing	20,653	6,580	—
Finance leases	4,884	7,773	5,658
	47,557	55,343	46,773
Less: Amount capitalised	(3,125)	(5,181)	(6,349)
	44,432	50,162	40,424

During the year ended 31 December 2011, 2012 and 2013, borrowing costs capitalised arose on the general borrowing pool are calculated by applying a capitalisation rate of 5.12%, 6.18% and 7.23% per annum to expenditure on qualifying assets respectively.

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to the directors and chief executive of the Company was as follows:

	Mr. Lu	Mr. Zhang	Mr. Wu	Total
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2011				
Fee	—	—	—	—
Salaries and allowances	2,029	2,167	1,827	6,023
Performance related incentive payments	1,633	1,817	1,221	4,671
Contributions to retirement benefits scheme	4	12	2	18
Total remuneration	3,666	3,996	3,050	10,712
For the year ended 31 December 2012				
Fee	—	—	—	—
Salaries and allowances	1,380	2,300	1,962	5,642
Performance related incentive payments	1,195	1,383	1,043	3,621
Contributions to retirement benefits scheme	15	14	6	35
Total remuneration	2,590	3,697	3,011	9,298
For the year ended 31 December 2013				
Fee	—	—	—	—
Salaries and allowances	1,578	2,629	2,220	6,427
Performance related incentive payments	1,000	1,000	800	2,800
Contributions to retirement benefits scheme	20	15	20	55
Total remuneration	2,598	3,644	3,040	9,282

The performance related incentive payments to Mr. Lu, Mr. Zhang and Mr. Wu are determined by reference to the Group's performance and approved by the board of directors of respective group entities. Mr. Zhang is the Chief Executive Officer of the Company.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Relevant Periods.

Mr. Lu, Mr. Zhang and Mr. Wu were appointed as the directors of the Company on 14 June 2013.

14. EMPLOYEES' REMUNERATION

During the Relevant Periods, the five individuals with the highest emoluments in the Group include three directors of the Company. The emoluments of the remaining two individuals for the Relevant Periods, which was individually less than HK$1,000,000, is as follows:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Salaries and allowances	1,191	1,257	1,754
Contributions to retirement benefits scheme	14	14	17
	1,205	1,271	1,771

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):			
Auditor's remuneration	1,100	900	900
Staff costs			
Directors' remuneration (note 13)	10,712	9,298	9,282
Other staff costs			
— salaries	169,935	204,449	261,323
— contributions to retirement benefits schemes	8,915	10,784	14,113
	189,562	224,531	284,718
Depreciation of property, plant and equipment	59,771	84,769	103,516
Amortisation of prepaid lease payments	958	988	1,013
Operating lease rentals in respect of:			
— rented premises	9,676	11,265	12,017
— machineries	4,500	3,000	—
Cost of inventories recognised as an expense	949,496	954,233	1,136,990
Including: allowance for obsolete inventories, net	6,402	7,412	6,342
Gross rental income from investment properties	(45)	(153)	(311)
Less: Direct operating expenses that generated rental income	5	18	32
Direct operating expenses that did not generate rental income	76	496	631
	36	361	352
Research and development costs recognised as an expense (included in other expenses)	21,479	36,285	38,098
Listing expenses (included in other expenses)	—	494	6,423

16. INCOME TAX EXPENSE

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Current tax:			
Hong Kong Profits Tax	20,314	13,442	17,159
PRC Enterprise Income Tax ("EIT")	19,431	23,930	35,927
PRC withholding tax	—	5,000	—
Under-provision in prior years:			
PRC EIT	—	—	2,229
	39,745	42,372	55,315
Deferred taxation (Note 36)	(1,949)	(192)	1,337
	37,796	42,180	56,652

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Relevant Periods.

Under the Law of the People's Republic of China 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. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No. 39), the tax concession of Dongguan BPT (as set out below) is still applicable under the EIT Law.

Pursuant to the relevant laws and regulations in the PRC, Dongguan BPT is entitled to an exemption from PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The tax charge provided has taken into account these tax incentives. Dongguan BPT commenced its first profit making year for the calendar year ended 31 December 2008 and accordingly, Dongguan BPT was exempted from PRC Enterprise Income Tax for the calendar years ended 31 December 2008 and 2009, the applicable tax rate for the calendar years ended 31 December 2010, 2011 and 2012 was 12.5%. Dongguan BPT obtained the qualification as a high and new technology enterprise, which is valid for three years since financial year 2011, and renewed the qualification as a high and new technology enterprise and is valid for an additional three years from financial year 2014. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for year ended 31 December 2013 is 15%.

Under the EIT Law, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from a PRC subsidiary to non-PRC tax resident group entity in Hong Kong in respect of profits generated after 1 January 2008 shall be subject to the withholding tax at 10%, unless the Hong Kong company can be approved to enjoy a reduced rate of 5% pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.

The taxation for the Relevant Periods can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2011	**2012**	**2013**
	HK$'000	**HK$'000**	**HK$'000**
Profit before taxation	243,671	240,231	301,157
Taxation at Hong Kong Profit Tax rate of 16.5%	40,206	39,638	49,691
Tax effect of expenses not deductible for tax purpose	1,135	1,185	1,946
Tax effect of income not taxable for tax purpose	(1,025)	(1,855)	(1,351)
Tax effect of estimated tax losses not recognised	257	—	130
Tax effect of utilisation of tax losses not recognised	—	(111)	(91)
Under-provision in the prior years	—	—	2,229
Effect of different tax rate of subsidiaries operating in other jurisdiction	7,971	11,051	16,304
Effect of tax concession in the PRC	(10,748)	(12,728)	(12,206)
Withholding tax levied on intragroup dividends (note)	—	5,000	—
Taxation	37,796	42,180	56,652

Note: During the year ended 31 December 2012, Dongguan BPT declared and paid dividends amounting to HK$100,000,000 to BPT (HK), the immediate holding company of Dongguan BPT, and the Group paid HK$5,000,000 PRC withholding tax. Such dividend distribution is for the purpose of reinvestment to Dongguan BPT by BPT (HK) as registered capital of Dongguan BPT.

17. DIVIDENDS

During the year ended 31 December 2013, BPT, a non-wholly owned subsidiary, declared and paid dividends of HK$9,000,000 to non-controlling shareholders and HK$51,000,000 to its immediate holding company, BPT Holdings. Also, BPT Holdings declared and paid dividends of HK$51,000,000 to its owner. Other than disclosed above, no dividend was paid or declared by any group entities to external parties during the Relevant Periods.

18. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Relevant Periods that is prepared on a combined basis as set out in note 2.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Computer and office equipment	Motor vehicles	Machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2011	110,678	12,221	18,150	386,262	60,964	588,275
Exchange adjustments	9,204	865	1,008	31,653	5,271	48,001
Additions	—	4,959	6,598	256,908	69,223	337,688
Transfer upon completion	18,963	—	—	—	(18,963)	—
Written-off	—	(20)	(4)	(202)	—	(226)
At 31 December 2011	138,845	18,025	25,752	674,621	116,495	973,738
Exchange adjustments	2,166	155	187	5,835	352	8,695
Additions	—	3,749	4,525	111,638	90,516	210,428
Transfer upon completion	157,017	—	—	—	(157,017)	—
Disposals	—	(139)	(14)	(147)	—	(300)
At 31 December 2012	298,028	21,790	30,450	791,947	50,346	1,192,561
Exchange adjustments	3,170	372	447	13,710	842	18,541
Additions	—	2,219	10,781	137,075	84,748	234,823
Transfer upon completion	25,180	—	—	—	(25,180)	—
Disposals	—	(407)	(1,551)	(4,115)	—	(6,073)
At 31 December 2013	326,378	23,974	40,127	938,617	110,756	1,439,852
ACCUMULATED DEPRECIATION						
At 1 January 2011	22,120	3,313	5,795	114,591	—	145,819
Exchange adjustments	1,593	277	211	8,562	—	10,643
Provided for the year	6,121	2,776	2,535	48,339	—	59,771
Eliminated on written-off	—	(15)	(1)	(126)	—	(142)
At 31 December 2011	29,834	6,351	8,540	171,366	—	216,091
Exchange adjustments	289	70	54	1,795	—	2,208
Provided for the year	8,977	3,562	2,995	69,235	—	84,769
Eliminated on disposals	—	(117)	(10)	(70)	—	(197)
At 31 December 2012	39,100	9,866	11,579	242,326	—	302,871
Exchange adjustments	555	167	128	3,609	—	4,459
Provided for the year	14,655	4,062	3,066	81,733	—	103,516
Eliminated on disposals	—	(323)	(686)	(2,669)	—	(3,678)
At 31 December 2013	54,310	13,772	14,087	324,999	—	407,168
CARRYING AMOUNTS						
At 31 December 2011	109,011	11,674	17,212	503,255	116,495	757,647
At 31 December 2012	258,928	11,924	18,871	549,621	50,346	889,690
At 31 December 2013	272,068	10,202	26,040	613,618	110,756	1,032,684

The Group is in the process of obtaining the building certificates for the buildings with carrying amounts of approximately HK$44,995,000 and HK$137,907,000 as at 31 December 2011 and 2012, respectively. These building certificates were obtained during the year ended 31 December 2013.

The above items of property, plant and equipment, except for construction in progress, are depreciated on its cost less their residual values on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 50 years
Computer and office equipment	20% - 50%
Motor vehicles	10% - 20%
Machinery	6% - 20%

The Group's buildings are situated on land in the PRC under medium-term leases.

As at 31 December 2011, 2012 and 2013, certain property, plant and equipment are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 33 and 38, respectively.

As at 31 December 2011, 2012 and 2013, the carrying amounts of machinery included amounts of approximately HK$258,845,000, HK$294,453,000 and HK$120,036,000 respectively in respect of assets held under finance leases.

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2011	—
Additions	59,671
Net increase in fair value recognised in profit or loss	3,911
Exchange adjustments	122
At 31 December 2011	63,704
Net increase in fair value recognised in profit or loss	1,728
Exchange adjustments	488
At 31 December 2012	65,920
Net increase in fair value recognised in profit or loss	5,019
Exchange adjustments	1,213
At 31 December 2013	72,152

The Group's investment properties are situated in the PRC held under medium-term leases.

Details of the Group's investment properties pledged to bank to secure the bank borrowing granted to the Group are set out in notes 33 and 38, respectively.

Fair value measurements and valuation processes

The fair values of the Group's investment properties at 31 December 2011, 2012 and 2013 were arrived at on the basis of a valuation carried out on that date by Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuer not connected with the Group whose address is Suite 807, 8th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The valuation was arrived at by reference to income approach taking into account the net rental income of the properties derived from the existing leases and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the Relevant Periods.

The investment properties measured at fair value subsequently to initial recognition, are grouped to Level 3 based on the degree to which the inputs to the fair value are observable and the significance of these inputs.

At the end of the reporting period, the management of the Group works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs of the valuation. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

There were no transfers into or out of Level 3 during the Relevant Periods.

Information about fair value measurements using significant unobservable input (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties and the key unobservable inputs used in the valuation models.

	Fair value	Valuation Techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	HK$'000				
31 December 2011 . . .	63,704	Income capitalisation approach	(i) Capitalisation rate	4.5%	The higher the capitalisation rate, the lower the fair value.
			(ii) Market rent	RMB40.7 - RMB44.1 per square foot per month	The higher the market rent, the higher the fair value.
31 December 2012 . . .	65,920	Income capitalisation approach	(i) Capitalisation rate	4.5%	The higher the capitalisation rate, the lower the fair value.
			(ii) Market rent	RMB41.8 - RMB45.3 per square foot per month	The higher the market rent, the higher the fair value.
31 December 2013 . . .	72,152	Income capitalisation approach	(i) Capitalisation rate	4.5%	The higher the capitalisation rate, the lower the fair value.
			(ii) Market rent	RMB45.2 - RMB48.9 per square foot per month	The higher the market rent, the higher the fair value.

21. PREPAID LEASE PAYMENTS

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
The Group's prepaid lease payments comprise:			
Medium-term leasehold land in the PRC	46,305	45,655	45,452
Analysed for reporting purposes as:			
Current asset	988	995	1,013
Non-current asset	45,317	44,660	44,439
	46,305	45,655	45,452

Details of the Group's leasehold land pledged to banks to secure the bank borrowings granted to the Group are set out in notes 33 and 38, respectively.

22. INVENTORIES

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Raw materials	122,293	106,263	143,446
Work in progress	63,122	73,419	87,545
Finished goods	46,003	50,949	86,882
	231,418	230,631	317,873

As at 31 December 2011 and 2012, certain inventories are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 33 and 38, respectively.

23. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Trade receivables	386,779	381,637	451,117
Less: Allowance for bad and doubtful debts	(3,436)	(1,776)	(1,776)
Total trade receivables	383,343	379,861	449,341
Bills receivables	10,130	2,692	4,159
	393,473	382,553	453,500

Before accepting any new customer, the Group assesses the potential customer's credit quality by evaluating their historical credit records and defines credit limits for each customer. Recoverability and credit limit of the existing customers are reviewed by the Group regularly.

Trade receivables from third parties mainly represent receivables from customers in relation to the sale of elastic fabrics and elastic webbing to customers. The credit period granted to the customers is ranged from 30 to 90 days from the date of issuance of a monthly statement for sales delivered in that month.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the date of issuance of monthly statements at the end of each reporting period and aged analysis of bills receivable presented based on the date of issuance of the bills at the end of each reporting period.

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Trade receivables			
0 - 90 days	356,082	363,787	410,607
91 - 180 days	26,064	13,879	33,451
Over 180 days	1,197	2,195	5,283
	383,343	379,861	449,341
Bills receivables			
0 - 90 days	—	1,579	1,861
91 - 180 days	10,130	1,113	2,298
	10,130	2,692	4,159
	393,473	382,553	453,500

As at 31 December 2011, 2012 and 2013, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$78,044,000, HK$70,394,000 and HK$86,485,000 respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables which are past due but not impaired were either settled subsequently or due from debtors which do not have historical default of payments. The Group does not hold any collateral over these balances.

Aged analysis of trade receivables which are past due but not impaired

The following aged analysis of trade receivables based on payment due dates which are past due but not impaired.

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
1 - 30 days	40,471	40,062	58,345
31 - 60 days	21,292	18,357	15,940
61 - 90 days	10,972	5,952	5,125
Over 90 days	5,309	6,023	7,075
	78,044	70,394	86,485

Movement in the allowance for bad and doubtful debts

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Balance at beginning of the year	353	3,436	1,776
Impairment losses recognised (reversed) on receivables	3,083	(1,066)	789
Amounts written off as uncollectible	—	(594)	(789)
Balance at end of the year	3,436	1,776	1,776

As at 31 December 2011, 2012 and 2013, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$3,436,000, HK$1,776,000 and HK$1,776,000 respectively which are either aged over one year or the customer was in severe financial difficulty. In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Management of the Group believes that no further impairment is required in excess of the allowance for bad and doubtful debts. Management of the Group writes off the bad and doubtful debts when the debtor is liquidated.

As at 31 December 2011, 2012 and 2013, certain trade receivables are pledged to banks to secure the bank borrowings (including factoring arrangement disclosed below and other bank borrowings) granted to the Group. Details are set out in notes 33 and 38, respectively.

Transfer of financial assets

The following were the Group's trade receivables as at 31 December 2011, 2012 and 2013 that were transferred to banks by factoring trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 33). These financial assets are carried at amortised cost in the Group's combined statements of financial position.

	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Carrying amount of transferred assets	45,679	48,671	105,992
Carrying amount of associated liabilities	(35,947)	(28,175)	(34,459)
Net position	9,732	20,496	71,533

The Group's trade receivables that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	USD	RMB
	HK$'000	HK$'000
As at 31 December 2011	118,536	10,130
As at 31 December 2012	133,964	—
As at 31 December 2013	144,438	—

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group As at 31 December			The Company As at 31 December
	2011	2012	2013	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Deposits paid	5,252	6,430	1,937	—
Deposits paid for acquisition of property plant and equipment	15,782	9,396	25,640	—
Deposits in life insurance policy (Note)	6,164	6,333	6,625	—
Prepayments	3,902	4,552	5,589	1,123
Other tax recoverable	31,505	6,166	2,091	—
Other receivables	7,841	8,220	6,307	—
	70,446	41,097	48,189	1,123
Analysed as:				
Current	48,500	25,368	15,525	1,123
Non-current	21,946	15,729	32,664	—
	70,446	41,097	48,189	1,123

Non-current deposits stated on the combined statements of financial position include rental deposits, deposits paid for acquisition of property, plant and equipment and deposits in life insurance policy.

Note: The Group has entered into one life insurance policy with HSBC Life (International) Limited ("HSBC") to insure a director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is USD3,500,000. The Group is required to pay a single premium of USD836,970 to HSBC. The Group can, at any time, receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. HSBC will pay the Group a guaranteed interest rate of 4.8% per annum for the first year, followed by minimum guaranteed interest rate of 3% per annum for the following years.

At the inception date, the gross premium was separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is recognised in profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The effective interest rate for the deposit placed on initial recognition is 2.9% per annum, which was determined by discounting the estimated future cash receipts through the expected life of the policy of 30 years, excluding the financial effect of surrender charge.

During the Relevant Periods, the expected life of the policy remained unchanged from the initial recognition and the management of the Group considers that the financial impact of the option to terminate the policies was insignificant.

25. HELD-FOR-TRADING INVESTMENTS

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Unlisted investment funds in the PRC	826	1,419	—

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Unit trusts denominated in USD	2,653	3,024	2,979

As at 31 December 2011, 2012 and 2013, the Group's available-for-sale financial assets has been pledged as security for the bank borrowings granted to the Group. Details are set out in notes 33 and 38 respectively.

27. AMOUNTS DUE FROM (TO) DIRECTORS

Amount due from a director is non-trading in nature, unsecured, non-interest bearing and repayable on demand. As represented by the management of the Group, the amounts are expected to be repayable within twelve months from the end of respective reporting periods and as such, the amount is classified as current assets.

The amounts due to directors are non-trading in nature, unsecured, non-interest bearing and repayable on demand.

Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	As at 31 December			Maximum amount outstanding during the year ended 31 December		
	2011	2012	2013	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Directors						
Mr. Wu	1,448	413	—	7,000	1,448	413

28. AMOUNTS DUE FROM (TO) RELATED COMPANIES/SUBSIDIARIES

THE GROUP

Amounts due from related companies

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Dongguan Colorlink Dyeing Company Limited 東莞市德聯服裝配料有限公司 ("Dongguan Colorlink")[1]	6	50	—
Dongguan Machong Zhangying Garden Greening Company 東莞市麻涌長盈園林綠化經營部 ("Machong Zhangying")[2]	4,990	32,338	—
Guangzhou Premium Fashion Company Limited 廣州市質品服飾有限公司 ("Premium Fashion")[3]	8,793	36,190	—
Dongguan Sun Home Property Investment Company Limited 東莞市信鴻物業投資有限公司 ("Sun Home")[4]	—	13	—
Dongguan Runda Elastic Weaving Company Limited 東莞市潤達彈性織造有限公司 ("Dongguan Runda")[4]	—	20,014	—
Rich Chest Industrial Limited ("Rich Chest")[4]	—	3,822	—
Total	13,789	92,427	—
Amounts due from related companies by nature categorised as follows:			
Trade balances	43	761	—
Non-trade balances	13,746	91,666	—
Total	13,789	92,427	—

Notes:

1 Dongguan Colorlink is under significant influence of Mr. Wu before disposal by Mr. Wu in September 2013.

2 Machong Zhangying is controlled by Mr. Wu.

3 Mr. Lu has 50% equity interest in Premium Fashion.

4 Sun Home, Dongguan Runda and Rich Chest are controlled by the family members of Mr. Lu.

The amounts due from related companies are unsecured. For non-trading balances, other than the balance due from Premium Fashion as at 31 December 2012, which is repayable on demand and interest bearing at 7.5% per annum, the remaining balances are repayable on demand and non-interest bearing. For trade balances, the Group allows an average credit period of 90 days from date of issuance of monthly statements and non-interest bearing.

Maximum amount of the non-trade balances outstanding disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Dongguan Colorlink	18,519	55,555	37,641
Machong Zhangying	7,953	38,557	42,737
Premium Fashion	8,793	36,190	46,654
Dongguan Premium Fashion Company Limited 東莞市質品服飾有限公司 ("Dongguan Premium Fashion")[1]	—	—	30,991
Boluo Deyingli Trading Company Limited 博羅縣德盈利貿易有限公司 ("Boluo Deyingli")[2]	—	—	88,608
Dongguan Zhuoying Construction Materials Company Limited 東莞市卓盈建材有限公司 ("Dongguan Zhuoying")[2]	—	—	34,810
Sun Home	—	13	13
Dongguan Runda	—	20,014	20,014
Rich Chest	—	6,875	45,713

Note:

1 Spouses of Mr. Lu and Mr. Zhang have 80% equity interest in aggregate in Dongguan Premium Fashion.

2 Boluo Deyingli and Dongguan Zhuoying are controlled by the family members of Mr. Lu.

Aged analysis of trade balances

The following is an aged analysis of trade balances with the related companies based from the date of issuance of monthly statements at the end of each reporting period.

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
0 - 90 days	43	—	—
91 - 180 days	—	761	—
	43	761	—

As at 31 December 2012, included in the Group's trade balances of amounts due from related companies are debtors with aggregate carrying amount of HK$761,000, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aged analysis of which are past due but not impaired

The following is an aged analysis of trade balances with the related companies based on payment due dates which are past due but not impaired.

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
0 - 30 days	—	761	—

Amounts due to related companies

Details of the amounts due to related companies are stated as follows:

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Dongguan Colorlink	122	229	—
Machong Zhangying	—	8,588	—
Premium Fashion	435	114	—
Dongguan Runda	77,474	—	—
Rich Chest	10,666	7,640	—
Total	88,697	16,571	—
Amounts due to related companies by nature categorised as follows:			
Trade balances	8,790	343	—
Non-trade balances	79,907	16,228	—
Total	88,697	16,571	—

Amounts due to related companies are unsecured and non-interest bearing. For non-trading balances, they are repayable on demand. For trade balances, the credit period granted to the Group is 90 days.

As at 31 December 2011 and 2012, the trade balances of amounts to related companies were aged within 3 months.

The Group's amounts due to related companies that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	HK$
	HK$'000
As at 31 December 2011	4,639
As at 31 December 2012	4,674
As at 31 December 2013	—

THE COMPANY

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

29. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

As at 31 December 2011, 2012 and 2013, pledged bank deposit represents deposit pledged to banks to secure the bank borrowings granted to and bills payable issued by the Group, carried at fixed interest rate ranged from 0.27% to 2.85%, 0.27% to 3.00% and 0.30% to 2.85% per annum, respectively. It also includes bank deposits of HK$3,713,000, HK$15,047,000 and HK$25,187,000 as at 31 December 2011, 2012 and 2013 pledged as cash collateral for the Group's derivative trading.

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits at variable interest rates with an original maturity of three months or less. As at 31 December 2011, 2012 and 2013, the interest rates ranged from 0.001% to 0.467%, 0.001% to 0.395% and 0.001% to 0.350% per annum respectively.

The Group's bank balances and pledged bank deposits that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	HK$	USD	EUR	RMB
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2011	1,716	49,242	98	4,495
As at 31 December 2012	37,501	19,997	100	310
As at 31 December 2013	6,890	16,418	1,562	7,473

30. TRADE PAYABLES

The credit period granted by the Group's creditors is 1 month to 3 months. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
0 - 90 days	76,977	73,162	98,082
Over 90 days	897	—	9,311
	77,874	73,162	107,393

The Group's trade payables that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	USD	EUR
	HK$'000	HK$'000
As at 31 December 2011	58,343	2,655
As at 31 December 2012	67,146	—
As at 31 December 2013	65,794	—

31. BILLS PAYABLE

The following is an aged analysis of bills payable presented based on the date of issuance of the bills at the end of the reporting period:

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
0 - 90 days	125,106	156,211	151,691
91 - 180 days	2,536	13,228	50,625
	127,642	169,439	202,316

32. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Accrued staff costs	28,695	31,345	43,823
Other accruals	11,121	10,067	13,704
Payables on acquisition of property, plant and equipment	29,649	38,105	40,573
Receipts in advance	1,078	5,864	4,255
Provision for non-compliant temporary structure (note)	4,701	6,463	6,578
Other payables	7,012	12,841	22,145
Total	82,256	104,685	131,078

Note: The provision of non-compliant temporary structure relates to maximum fine of not more than the portion of the construction cost of the non-compliant temporary structure. Additions of HK$4,427,000 and HK$1,727,000 are accrued by reference to the construction cost of the non-compliant temporary structure construction carried out in respective period.

33. BANK BORROWINGS

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Unsecured syndicated loans	—	—	424,857
Secured bank borrowings	436,751	606,832	194,377
Unsecured bank borrowings	147,255	170,314	143,529
Collateralised bank borrowings from factoring of trade receivables with full recourse (note 23)	35,947	28,175	34,459
Bills financing borrowings	132,654	55,970	—
	752,607	861,291	797,222
Carrying amount repayable*:			
Within one year	724,225	804,334	325,008
More than one year, but not exceeding two years	7,170	36,461	149,101
More than two years, but not more than five years	18,474	20,496	323,113
More than five years	2,738	—	—
	752,607	861,291	797,222
Less: Amounts due within one year and/or contain a repayment on demand clause shown under current liabilities	(732,793)	(845,088)	(345,660)
Amounts shown under non-current liabilities	19,814	16,203	451,562
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	7,862	22,676	29,053
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	8,568	40,754	20,653
	16,430	63,430	49,706

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

The unsecured syndicated loans are guaranteed by group companies, Mr. Lu and Mr. Zhang and the loans will be fully matured on 16 July 2016.

The secured bank borrowings are secured by the properties owned by Mr. Lu, a director and controlling shareholder of the Company and Sun Home as disclosed in note 47 and assets pledged as disclosed in note 38 and guaranteed by Mr. Lu, Mr. Zhang, group entities, Sun Home, Dongguan Runda and Rich Chest as at 31 December 2011 and 2012 and secured by assets pledged as disclosed in note 38 and guaranteed by Mr. Lu and Mr. Zhang as at 31 December 2013.

The unsecured bank borrowings are guaranteed by group entities, Mr. Lu, Mr. Zhang, Dongguan Runda and Sun Home as at 31 December 2011 and 2012 and guaranteed by Mr. Lu and Mr. Zhang as at 31 December 2013.

Bills financing borrowings refer to bank borrowings obtained from the discounting of bank acceptance bills issued by Dongguan BPT to related companies and the related companies endorsed those bank acceptance bills back to Dongguan BPT simultaneously. Details of the arrangement are set out in note 47.

The exposure of the Group's fixed-rate borrowings (including bills financing borrowings) and the contractual maturity dates are as follows:

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Fixed-rate borrowings:			
Within one year	618,214	628,722	125,105
In more than one year but not more than two years	2,400	2,400	9,490
In more than two years but not more than five years	3,200	800	47,451
	623,814	631,922	182,046

In addition, the Group has floating-rate borrowings which carry interest at HIBOR plus 1% to 3.6% or benchmark borrowing rate (人民銀行貸款基準利率) quoted by the People's Bank of China plus a spread.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings (including bills financing borrowings) are as follows:

	Year ended 31 December		
	2011	2012	2013
Effective interest rate (per annum):			
Fixed-rate borrowings	3.73% - 9.51%	2.55% - 7.87%	4.58% - 8.80%
Floating-rate borrowings	2.34% -7.05%	3.39% - 7.21%	3.09% - 7.76%

The Group's bank borrowing that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	HK$	USD	EUR
	HK$'000	HK$'000	HK$'000
As at 31 December 2011	66,103	73,296	1,388
As at 31 December 2012	105,048	106,677	366
As at 31 December 2013	111,734	71,307	7,907

34. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2011	2012	2013	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable under finance leases:						
Within one year	60,845	70,097	34,177	54,544	64,315	32,463
In the second to fifth year inclusive	116,728	92,574	28,197	110,730	88,515	27,300
	177,573	162,671	62,374	165,274	152,830	59,763
Less: future finance charges	(12,299)	(9,841)	(2,611)	—	—	—
Present value of lease obligations	165,274	152,830	59,763	165,274	152,830	59,763
Less: Amounts contains repayment on demand clause and/or due for settlement within one year (shown as current liabilities)				(120,908)	(127,526)	(37,164)
Amounts due for settlement after one year				44,366	25,304	22,599
Obligations that are repayable within one year and contain a repayment on demand clause				35,080	45,251	8,363
Obligations that are repayable more than one year but contain a repayment on demand clause				66,364	63,211	4,701
				101,444	108,462	13,064

The Group leased certain of its machineries and motor vehicles under finance leases. The lease term was ranged from 3 years to 4 years. Interest rates underlying all obligations under finance lease are fixed at respective contract dates ranging from 3.50% to 6.75%, 3.50% to 6.75% and 3.50% to 4.75% per annum as at 31 December 2011, 2012 and 2013 respectively. All leases were on a fixed repayment basis and no arrangement was entered into for contingent rental payments.

During the year ended 31 December 2013, the Group had early settled certain obligations under finance leases.

The Group's obligations under finance leases were secured by the lessors' charge over the leased assets.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Financial assets			
Capped forward contracts (current)	—	2,174	1,075
Knock out forward contracts (current)	—	—	436
Knock out forward contracts (non-current)	—	1,377	—
	—	3,551	1,511
Financial liabilities			
Knock out forward contracts (current)	814	—	—

Capped forward contracts

As at 31 December 2012, the amount represented the fair value of gross-settled capped forward contracts with aggregate notional amount of USD27 million. The Group shall pay USD/receive RMB if the spot rate between USD and RMB is lower than the contract rate which is specified in the relevant agreements on respective settlement dates based on the notional amount and the contract rate. Where the spot rate is above the contract rate on respective settlement dates, the Group should pay USD/receive RMB based on the notional amount multiply by two and the contract rate with respective banks. The aforesaid contract rates in the relevant agreements are ranging from RMB6.41 to RMB6.5 for USD1. These contracts will be settled in various dates in year 2013. The fair value of the capped forward contracts was approximately HK$2,174,000 as at 31 December 2012.

As at 31 December 2013, the amount represented the fair value of gross-settled capped forward contracts with aggregate notional amount of USD5.5 million. The Group shall pay USD/receive RMB if the spot rate between USD and RMB is lower than the contract rate which is specified in the relevant agreements on respective settlement dates based on the notional amount and the contract rate. Where the spot rate is above the contract rate on respective settlement dates, the Group should pay USD/receive RMB based on the notional amount multiply by two and the contract rate with respective banks. The aforesaid contract rate in the relevant agreements are ranging from RMB6.4 to RMB6.5 for USD1. These contracts will be settled in various dates in year 2014.

Knock out forward contracts

During the year ended 31 December 2011, the Group entered gross-settled knock out forward contracts with aggregate notional amount of USD12 million that the Group should pay USD based on agreed amount with the bank and the spread between spot rate and RMB6.525 for USD1 when spot rate between USD and RMB is above RMB6.525 for USD1. The Group would receive USD3,000 when the spot rate is below RMB6.525 for USD1 on respective settlement dates. The fair value of the knock out forward contracts was approximately HK$814,000 as at 31 December 2011. These contracts were matured in July 2012.

During the year ended 31 December 2012, the Group entered another type of gross-settled knock out forward contracts with aggregate notional amount of USD48 million that the

Group should pay USD/receive RMB at an agreed amount multiply by two with the bank when the spot rate between USD and RMB is above RMB6.5 for USD1. The Group should pay USD/receive RMB at an agreed amount with the bank when spot rate fall within the range of RMB6.43 for USD 1 to RMB6.5 for USD1 on respective settlement dates. The Group would receive RMB210,000 when the spot rate is equal or below RMB6.43 to USD1 on respective settlement dates. The fair value of the knock out forward contract was approximately HK$1,377,000 as at 31 December 2012. As at 31 December 2013, the outstanding aggregate notional amount and fair value of this contract were USD12 million and approximately HK$436,000 respectively. This contract will be matured in April 2014.

The fair value changes of derivative financial instruments for the Relevant Periods is recognised in profit or loss and included as other gains and losses as set out in note 11.

36. DEFERRED TAXATION

The following is the major deferred tax assets (liabilities) recognised and movements during the Relevant Periods.

	Deferred government grants	Capitalised finance costs	Allowance for inventories	Allowance for bad and doubtful debts	Investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	—	—	—	—	—	—
Credited (charged) to profit or loss (note 16)	1,486	(781)	1,739	468	(963)	1,949
Exchange adjustments	46	(24)	53	15	(30)	60
At 31 December 2011	1,532	(805)	1,792	483	(993)	2,009
Credited (charged) to profit or loss (note 16)	319	(1,254)	1,852	(41)	(684)	192
Exchange adjustments	14	(10)	29	2	(13)	22
At 31 December 2012	1,865	(2,069)	3,673	444	(1,690)	2,223
Credited (charged) to profit or loss (note 16)	439	(1,480)	889	—	(1,185)	(1,337)
Exchange adjustments	38	(52)	49	6	(41)	—
At 31 December 2013	2,342	(3,601)	4,611	450	(2,916)	886

The above deferred tax assets and liabilities have been offset for presentation purpose in the combined statements of financial positions.

As disclosed in note 16, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Under the EIT Law, deferred tax liabilities have not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$230,059,000, HK$247,105,000 and HK$378,825,000 as at 31 December 2011, 2012 and 2013 respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group had unused tax losses of approximately HK$1,571,000, HK$904,000 and HK$1,140,000 as at 31 December 2011, 2012 and 2013, respectively. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of respective group entities. The tax losses may be carried forward indefinitely.

37. CAPITAL

THE GROUP

The capital as at 1 January 2011 and 31 December 2011 and 2012 represented the aggregate paid-in capital of BPT Holdings and BPT International attributable to Mr. Lu, the controlling party of the Group. Capital as at 31 December 2013 represented the aggregate paid-in capital of BPT Holdings and BPT International attributable to Mr. Lu and the Company.

THE COMPANY

On 14 June 2013, the Company was incorporated in the Cayman Islands. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber and transferred to Grandview. On the same date, 331,499 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. On 12 December 2013, 331,500 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. All shares issued rank pari passu with each other in all respects.

Information are set out below:

	Number of shares	Amount	
		HK$	HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 14 June 2013 (date of incorporation) and 31 December 2013	39,000,000	390,000	390
Issued and fully paid:			
At 14 June 2013 (date of incorporation)	1	—	—
Issue of shares on 14 June 2013 (date of incorporation)	389,999	3,900	4
Issue of shares on 12 December 2013	390,000	3,900	4
At 31 December 2013	780,000	7,800	8

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged certain trade receivables, pledged bank deposits, property, plant and equipment, investment properties, inventories, prepaid lease payments and available-for-sale financial assets to secure the bills payable issued by and bank borrowings granted to the Group. The carrying amounts of the assets pledged are as follows:

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Trade receivables	45,679	110,860	169,283
Pledged bank deposits	172,380	187,926	96,107
Property, plant and equipment	84,556	246,081	187,959
Investment properties	63,704	65,920	72,152
Inventories	58,183	47,687	—
Prepaid lease payments	14,740	45,655	31,038
Available-for-sale financial assets	2,653	3,024	2,979
	441,895	707,153	559,518

As at 31 December 2011 and 2012, the Group has also discounted bills endorsed from related companies amounted to HK$132,654,000 and HK$55,970,000 respectively as security of its bills financing borrowings. Details are set out in notes 33 and 47.

39. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' salaries with a cap of HK$1,250 per month starting from 1 June 2012 (prior to 1 June 2012: HK$1,000) and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2011, 2012 and 2013.

The Group's PRC subsidiaries are required to make contributions to the state-managed retirement schemes operated by the local governments based on certain percentage of the monthly salaries of their current employees to fund the benefits.

The only obligation of the Group with respect to the above defined contribution retirement benefits schemes is to make the required contributions under the respective schemes.

During the years ended 31 December 2011, 2012 and 2013, the total costs charged to profit or loss are approximately HK$8,933,000, HK$10,819,000 and HK$14,168,000 respectively, representing contributions paid/payable to the above defined contribution retirement benefits schemes.

40. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting periods, the Group had commitments for future minimum lease payments in respect of office and factory premises, warehouse and staff quarters rented under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Within one year	9,624	8,329	11,567
In the second to fifth year inclusive	13,736	7,860	16,988
Over five years	3,026	1,601	—
	26,386	17,790	28,555

Leases for office premises, warehouse and staff quarters are negotiated for an average term of two years and rentals are fixed for an average term of two years. A lease for factory premises was negotiated for a term of ten years. During the year ended 31 December 2013, the lease for factory premises were renegotiated for a term of three years.

The Group as lessor

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

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Within one year	37	280	893
In the second to fifth year inclusive	65	1,039	2,125
	102	1,319	3,018

Leases are negotiated for an average term of four years and rentals are fixed for an average term of four years.

41. CAPITAL COMMITMENTS

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Capital expenditure in respect of the addition of property, plant and equipment contracted but not provided for	54,750	60,975	67,838

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out below include financial assets and financial liabilities that:

- are offset in the Group's combined statements of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the combined statements of financial position.

The Group does not have any financial assets and financial liabilities that are offset in its combined statements of financial position.

However, the Group has entered into International Swaps and Derivatives Master Agreements ("ISDA") in respect of its dealings in derivatives. The Group placed cash collateral and pledged its investment in life insurance policy with the counterparty banks in respect of its derivative transactions. The derivatives (including capped forward contracts and knock out forward contracts) and the pledged deposits (cash collateral) and deposits in life insurance policies do not meet the criteria for offsetting in the combined statements of financial position since the right of set off of the recognised amounts is only enforceable following an event of default. Details are set out below.

As at 31 December 2011

	Amounts presented on combined statements of financial position	Related amounts not set off in the combined statement of financial position	Net amount
	HK$'000	HK$'000	HK$'000
Recognised financial liabilities:			
-Knock out forward contracts	(814)	814	—
Collateral:			
-Pledged deposits	3,713	(814)	2,899
			2,899

As at 31 December, 2012

	Amounts presented on combined statements of financial position	Related amounts not set off in the combined statement of financial position	Net amount
	HK$'000	HK$'000	HK$'000
Recognised financial assets:			
-Capped forward contracts	2,174	—	2,174
-Knock out forward contracts	1,377	—	1,377
Collateral:			
-Deposits in life insurance policy	6,333	—	6,333
-Pledged deposits	15,047	—	15,047
			24,931

As at 31 December, 2013

	Amounts presented on combined statements of financial position	Related amounts not set off in the combined statement of financial position	Net amount
	HK$'000	HK$'000	HK$'000
Recognised financial assets:			
-Capped forward contracts	1,075	—	1,075
-Knock out forward contracts	436	—	436
Collateral:			
-Deposits in life insurance policy	6,625	—	6,625
-Pledged deposits	25,187	—	25,187
			33,323

43. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES

The principal activities and principal place of business of non-wholly owned subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2011	2012	2013
Investment holding	Hong Kong	3	3	3
Trading of elastic fabrics, lace and elastic webbing	Hong Kong	2	2	2
Manufacture and trading of elastic fabrics	The PRC	1	1	1
		6	6	6

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

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit allocated to non-controlling interests			Accumulated non-controlling interests		
		2011	2012	2013	2011	2012	2013	2011	2012	2013
					HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
BPT and its wholly-owned subsidiary	Hong Kong/PRC	15%	15%	15%	10,829	12,994	17,372	43,041	55,010	68,609
BPT International and its wholly-owned subsidiaries	BVI/Hong Kong	15%	15%	15%	14,979	10,479	12,574	14,974	25,453	38,027
					25,808	23,473	29,946	58,015	80,463	106,636

Summarised financial information for the years ended 31 December 2011, 2012 and 2013 in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

BPT and its wholly-owned subsidiary

	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Non-current assets	729,898	858,806	1,012,896
Current assets	834,489	780,642	569,287
Non-current liabilities	(29,541)	(25,530)	(98,555)
Current liabilities	(1,247,898)	(1,247,182)	(1,026,221)
Total equity	286,948	366,736	457,407
Revenue	815,056	864,891	1,007,204
Expenses	(742,866)	(778,269)	(891,393)
Profit for the year	72,190	86,622	115,811
Other comprehensive income for the year	37,388	7,510	16,293
Total comprehensive income for the year	109,578	94,132	132,104
Dividends paid	—	—	60,000
Net cash inflow from operating activities	103,379	140,705	259,167
Net cash outflow from investing activities	(208,805)	(176,658)	(62,854)
Net cash inflow (outflow) from financing activities	84,616	48,320	(216,594)
Net cash (outflow) inflow	(20,810)	12,367	(20,281)

BPT International and its wholly-owned subsidiaries

	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Non-current assets	14,011	8,412	11,661
Current assets	587,931	788,881	1,082,186
Non-current liabilities	(13,395)	(8,618)	(386,031)
Current liabilities	(488,722)	(618,989)	(454,299)
Total equity	99,825	169,686	253,517
Revenue	910,238	916,067	1,112,032
Expenses	(810,376)	(846,206)	(1,028,201)
Profit and total comprehensive income for the year	99,862	69,861	83,831
Net cash inflow from operating activities	219,743	150,090	49,015
Net cash outflow from investing activities	(242,048)	(148,071)	(278,481)
Net cash inflow (outflow) from financing activities	89,295	(15,087)	197,472
Net cash inflow (outflow)	66,990	(13,068)	(31,994)

Other than the restriction on the ability of the wholly-owned subsidiary of BPT established in the PRC to transfer funds to BPT in the form of cash dividends, conversion and remittance of foreign currencies which are subject to PRC foreign exchange regulations, there are no significant restrictions on the ability of BPT and BPT International to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

44. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

	As at 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Financial guarantee liability recognised on combined statements of financial position respect of:			
Guarantee to Boluo County Riverside Palace (note (i))	24,844	21,070	—
Guarantee to Dongguan Baoying (note (ii))	—	15,981	11,623
	24,844	37,051	11,623
Financial guarantee income credited to profit or loss including:			
Guarantee to Boluo County Riverside Palace (note (i))	1,572	3,774	2,516
Guarantee to Dongguan Baoying (note (ii))	—	2,179	4,358
	1,572	5,953	6,874

(i) On 22 July 2011, Dongguan BPT, Dongguan Runda and Mr. Lu provided a financial guarantee to a bank for banking facilities of RMB84,000,000 with maturity of seven years granted to 博羅縣水岸香洲置業有限公司 Boluo County Riverside Palace Property Company Limited ("Boluo County Riverside Palace"), a company owned by the family members of Mr. Lu. The fair value of the financial guarantee as at 22 July 2011 was arrived at on the basis of valuation carried out on that date by Avista, independent qualified professional valuer not connected with the Group. The address of Avista is set out in note 20. The fair value of the financial guarantee was calculated based on credit spread (including the assumption on probability of default and recovery ratio) and the maximum exposure of the facility to the Group. The estimated fair value of the financial guarantee of HK$26,416,000 was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution at the grant date. During the year ended 31 December 2011, 2012 and 2013, financial guarantee income of HK$1,572,000, HK$3,774,000 and HK$2,516,000 were recognised in profit or loss respectively. The carrying amount of the financial guarantee liability was HK$24,844,000 and HK$21,070,000 as at 31 December 2011 and 2012 respectively. On 9 August 2013, the financial guarantee provided by Dongguan BPT was early released by the bank before maturity of the banking facilities. The remaining carrying amount of HK$18,554,000 is credited to equity.

(ii) On 28 June 2012, Dongguan BPT, Dongguan NHE and Mr. Lu provided financial guarantee to a bank for a bank loan of RMB80,000,000 with maturity of four years to 東莞市寶盈房地產開發有限公司 Dongguan Baoying Property Development Company Limited ("Dongguan Baoying"), a company controlled by Mr. Lu. The fair value of the financial guarantee as at 28 June 2012 was arrived at on the basis of valuation carried out on that date by Avista, independent qualified professional valuer not connected with the Group. The address of Avista is set out in note 20. The fair value of the financial guarantee was calculated based on credit spread (including the assumption on probability of default and recovery ratio) and the maximum exposure of the facility to the Group. The estimated fair value of the financial guarantee of HK$18,160,000 was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution at the grant date. During the year ended 31 December 2012 and 2013, financial guarantee income of HK$2,179,000 and HK$4,358,000 was recognised in profit or loss respectively. The carrying amount of the financial guarantee liability was HK$15,981,000 and HK$11,623,000 as at 31 December 2012 and 2013 respectively. As represented by the management of the Group, the financial guarantee from Dongguan BPT and Dongguan NHE will be released upon the listing of the Company's shares on the Stock Exchange.

(iii) On 2 January 2012, Dongguan NHE, Dongguan Runda and Mr. Lu provided financial guarantee to a bank for a bank loan of RMB15,000,000 with maturity of four years to 東莞市沙田高聯漆料廠 Dongguan Shatian Gaolian Paint Material Factory, a company controlled by the family members of Mr. Lu. The management of the Group considered that the fair value of the financial guarantee provided by the group entity is insignificant. The financial guarantee from Dongguan NHE will be released upon the listing of the Company's shares on the Stock Exchange.

(iv) On 12 April 2010, and renewed on 11 April 2011, BPT, BPT (HK), New Horizon Elastic, New Horizon Investment and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$12,000,000 in addition to the corporate guarantee provided by BPT holdings, BPT International, Dongguan BPT and Dongguan Runda and the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to BPT, BPT (HK), New Horizon Elastic, New Horizon Investment and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantee provided by group entities is insignificant. On 10 May 2012, the corporate guarantees provided to Rich Chest were released by the bank.

(v) On 27 September 2011, BPT, BPT (HK), BPT Holdings, BP Investment, BPT International, Dongguan BPT, New Horizon Elastic, New Horizon Investment, Dongguan Runda and Rich Chest have provided corporate guarantees to New Horizon Elastic and Rich Chest for the banking facilities of HK$31,116,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to New Horizon Elastic and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. On 18 October 2012, the corporate guarantees provided to Rich Chest were released by the bank.

(vi) On 28 March 2012, which is renewed on 28 March 2013, BPT, BPT (HK), New Horizon Elastic and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$10,000,000 in addition to the corporate guarantee provided by BPT International and personal guarantee provided by Mr. Lu, Mr. Wu and Mr. Zhang. The banking facilities are available to BPT, BPT (HK), New Horizon Elastic and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. As represented by the management of the Group, the corporate guarantees from BPT, BPT (HK) and New Horizon Elastic will be released upon the listing of the Company's shares on the Stock Exchange.

(vii) On 1 March 2010, and renewed on 1 February 2011, New Horizon Investment, BPT and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$53,462,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to New Horizon Investment, BPT and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are replaced by the new facilities granted per note 44(viii).

(viii) On 16 May 2011, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$55,000,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to New Horizon Elastic, BPT, BPT (HK) and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are replaced by the new facilities granted per note 44(ix).

(ix) On 22 June 2012, and renewed on 9 July 2013, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$60,000,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. As represented by the management of the Group, the corporate guarantees from New Horizon Investment, New Horizon Elastic, BPT and BPT (HK) will be released upon the listing of the Company's shares of the Stock Exchange.

(x) On 1 March 2010, New Horizon Investment, BPT, Mr. Lu and Mr. Zhang have provided corporate/personal guarantee to Rich Chest for the banking facilities of HK$12,000,000 for five years. The management of the Group considered that the fair value of the financial guarantee provided by group entities is insignificant. As represented by the management of the Group, the financial guarantee to Rich Chest will be released upon the listing of the Company's shares on the Stock Exchange.

(xi) On 4 November 2010, New Horizon Investment, BPT and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$94,806,000 in addition to the corporate guarantee provided by BPT Holdings, Dongguan Runda and Dongguan BPT and personal guarantee provided by Mr. Lu. The banking facilities are available to New Horizon Investment, BPT and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are replaced by the new facilities granted per note 44(xii).

(xii) On 13 January 2011, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$94,415,000 in addition to the corporate guarantee provided by BPT Holdings, BPT International, Dongguan Runda, Dongguan BPT and Dongguan NHE and personal guarantee provided by Mr. Lu. The banking facilities are available to New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are replaced by the new facilities granted per note 44(xiii).

(xiii) On 28 March 2011, which is renewed on 22 November 2011, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$108,885,000 regarding the facilities granted on 28 March 2011 and HK$140,000,000 regarding the facilities granted on 22 November 2011 in addition to the corporate guarantee provided by BPT Holdings, BPT International, Dongguan Runda, Dongguan BPT and Dongguan NHE and personal guarantee provided by Mr. Lu. The banking facilities are available to New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are terminated on 11 December 2012.

(xiv) On 7 July 2009, BPT, Dongguan BPT and Dongguan Runda have provided corporate guarantees to Rich Chest for the banking facilities of HK$12,000,000 for three years in addition to the personal guarantee provided by Mr. Lu. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The bank facilities are expired on 7 July 2012.

Save and except for the matters specified above, the Group does not have any litigations or claims, so far as the management is aware, are pending or threatened by or against any companies of the Group.

45. DISPOSAL OF A SUBSIDIARY

As referred to in note 2(b), the Group disposed of the entire equity interest in Deluxe Royal to Mr. Lu Huigen for a cash consideration of HK$10,000 on 12 December 2013.

Analysis of assets and liabilities over which control was lost:

	As at 12 December 2013
	HK$'000
Other receivables	10
Other payables	(23)
Net liabilities disposed of	(13)
Gain on disposal of subsidiaries	
Cash consideration	10
Net liabilities disposed of	13
Gain on disposal	23
Net cash inflow arising on disposal:	
Cash consideration	10

During the Relevant Periods and prior to the disposal, the impact of Deluxe Royal on the Group's results and cash flows is insignificant.

46. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, 2012 and 2013, the Group entered into finance lease arrangements in respect of machineries with a total capital value at the inception of the respective leases of approximately HK$125,286,000, HK$49,465,000 and HK$28,616,000, respectively.

47. RELATED PARTY TRANSACTIONS

Apart from transactions and amounts due from (to) directors, subsidiaries and related companies as set out in notes 27 and 28, the Group had the following related party transactions during the Relevant Periods:

(a)

Nature of transaction	Year ended 31 December		
	2011	2012	2013
	HK$'000	HK$'000	HK$'000
Sales of goods to Dongguan Colorlink, Dongguan Premium Fashion and Premium Fashion (note i)	1,464	886	8,158
Purchase of goods from Dongguan Colorlink, Dongguan Runda and Premium Fashion (note i)	41,775	9,355	1,027
Purchase of property, plant and equipment from Dongguan Colorlink, Rich Chest, Dongguan Runda and Mr. Lu (note i)	32,225	12,461	—
Rental income from Premium Fashion (note i)	—	116	254
Rental expense in respect of rented premises to Mr. Lu (note ii)	3,392	3,497	3,586
Rental expenses in respect of machineries to Rich Chest (note i)	4,500	3,000	—
Service fee to Machong Zhangying (note i)	—	1,959	63
Interest income from Premium Fashion (note i)	—	895	—

Notes:

(i) These related party transactions will be ceased prior to the listing of the shares of the Company.

(ii) These related party transactions will be continued after the listing of the shares of the Company.

(b) Compensation to key management personnel of the Group which represents directors of the Company is set out in note 13.

(c) As at 31 December 2011 and 2012, certain properties owned by Mr. Lu and Sun Home are pledged to banks as collaterals for the Group's bank borrowings and Mr. Lu, Mr. Zhang, Sun Home, Dongguan Runda and Rich Chest also provided guarantee on these bank borrowings. In addition, Mr. Lu, Mr. Zhang, Dongguan Runda and Sun Home provided guarantee to the unsecured bank borrowings of the Group as at 31 December 2011 and 2012.

As at 31 December 2013, Mr. Lu and Mr. Zhang provided guarantee on certain secured bank borrowings. Mr. Lu and Mr. Zhang provided guarantee to the unsecured bank borrowings of the Group as at 31 December 2013.

(d) Information of financial guarantees provided to related companies and cross guarantees between the group entities and related companies is set out in note 44.

(e) During the year ended 31 December 2011, Dongguan BPT issued bank acceptance bills amounting to HK$497,787,000 in favour of related companies who are controlled by Mr. Lu and another one was under significant influence of Mr. Wu before it was disposed by Mr. Wu in September 2013. The related companies endorsed these bank acceptance bills amounting to HK$497,787,000 back to Dongguan BPT simultaneously. Dongguan BPT discounted the endorsed bills amounting to HK$497,787,000 to banks. As at 31 December 2011, bank borrowings arising from this arrangement amounted to HK$132,654,000 and are recognised as bills financing borrowings in note 33.

During the year ended 31 December 2012, Dongguan BPT issued bank acceptance bills amounting to HK$198,521,000 in favour of three related companies, one is owned as to 50% by Mr. Lu, one is owned as to 50% by the spouse of Mr. Lu and another one was under significant influence of Mr. Wu before it was disposed by Mr. Wu in September 2013. The related companies endorsed these bank acceptance bills amounting to HK$198,521,000 back to Dongguan BPT simultaneously. Dongguan BPT discounted the endorsed bills amounting to HK$198,521,000 to banks. As at 31 December 2012, bank borrowings arising from this arrangement amounted to HK$55,970,000 and are recognised as bills financing borrowings in note 33.

48. RESERVE OF THE COMPANY

	Accumulated loss
	HK$'000
At 14 June 2013 (date of incorporation)	—
Loss and total comprehensive expense for the period	(6,454)
At 31 December 2013	(6,454)

(B) SUBSEQUENT EVENTS

(a) Reorganisation

On 16 January 2014, the Reorganisation set out in note 2 was completed.

(b) Increase of authorised and issued share capital

On 8 May 2014, the authorised share capital of the Company was increased from HK$390,000 to HK$500,000,000 by the creation of an additional 49,961,000,000 shares of HK$0.01.

Pursuant to the written resolutions passed by the shareholders of the Company on 8 May 2014 conditional upon the share premium account of the Company being credited as a result of the Listing, the directors of the Company were authorised to capitalise the amount of HK$7,488,300 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 748,830,000 shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company at the close of business on 8 May 2014, pro-rata to its/their then existing shareholdings in the Company.

(c) Share option schemes

On 8 May 2014, the Company has conditionally granted options to subscribe for shares of the Company under the pre-IPO share option scheme so as to subscribe for an aggregate of 26,470,000 shares of the Company, representing 2.65% of the enlarged issued share capital of the Company immediately following completion of the global offering and the capitalisation issue (assuming that the over-allotment option is not exercised and any options that have been granted under the pre-IPO share option scheme and the share option scheme have not been exercised) at an exercise price which is equal to 50% of the final offer price. The summary of the principal terms of the Company's share option schemes are disclosed in "Statutory and General Information — D. Pre-IPO Share Option Scheme and the Share Option Scheme" in Appendix V to this prospectus.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong