



TOP FORM

INTERNATIONAL LIMITED

STOCK CODE: 333

ANNUAL REPORT 2018



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Chung Chong, *Chairman* ⁽³⁾
Mr. Wong Kai Chi, Kenneth, *Managing Director* ⁽³⁾
Mr. Wong Kai Chung, Kevin, *Chief Executive Officer*

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Marvin Bienenfeld ⁽¹⁾⁽³⁾⁽⁵⁾
Mr. Chow Yu Chun, Alexander ⁽¹⁾⁽⁶⁾
Ms. Leung Churk Yin, Jeanny ⁽¹⁾⁽²⁾⁽³⁾
Mr. Leung Ying Wah, Lambert ⁽²⁾⁽³⁾⁽⁴⁾
Mr. Lin Sun Mo, Willy ⁽¹⁾⁽³⁾

COMPANY SECRETARY

Mr. Pun Chi Wa

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Nomination Committee
- (4) Chairman of Audit Committee
- (5) Chairman of Compensation Committee
- (6) Chairman of Nomination Committee

PRINCIPAL OFFICE

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

AUTHORISED REPRESENTATIVES

Mr. Wong Chung Chong
Mr. Wong Kai Chung, Kevin

PRINCIPAL BANKERS

Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITOR

KPMG

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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



CHAIRMAN'S STATEMENT

During the year under review, Top Form International Limited ("Top Form" or the "Company", together with its subsidiaries, the "Group") recorded a promising growth of 14% in sales revenue to HK\$1,281 million from HK\$1,126 million in fiscal 2017, despite challenging market conditions and a volatile trade environment.

In terms of our client base, 63% of our sales came from the United States ("US") market, 26% came from the Europe ("EU"), and the rest of the world accounted for the remaining 11%. It is worth noting that we expanded our market share amongst our key customers.

During the period under review, the appreciation of the Thai baht and the Renminbi ("RMB") against US dollars and escalating labor costs, particularly in the second half of the year, continued to add cost pressure to our operating environment which resulted in lower gross profit margin in second half of fiscal 2018 as compared to first half of fiscal 2018. However the gross profit margin remained at 18% during the year under review. In constant currency term, the gross profit margin was 20%.

The Group maintained a consistent manufacturing capacity ratio between its overseas and local plants in China during the year. Production from Thailand and Cambodian plants accounted for 65% of the global output while China accounted for the remaining 35%. We are delighted to observe an overall improvement in efficiency across all our plants.

For the year under review, the Group recorded a net profit after tax of HK\$12 million, a 107% increase from HK\$6 million in the corresponding year.

Having considered our cash position and upcoming investment needs, the board of directors of the Company (the "Board") has proposed a final dividend of HK\$0.05 per share for the year ended 30 June 2018.

Taking into account that the global economy growth has slowed down, along with supply chain disruptions and the uncertain tariff regime caused by trade conflicts between the US and China, we foresee a challenging market ahead with increasing competition and ongoing cost inflation. The Group will continue to rationalize and optimize the capacity of each production plant, and further raise productivity and efficiency through investment in new technology and process optimization.

To cope with the disruptive changes in the fashion industry, including a demand for more complex products, shorter production lead time, as well as the growing market trends of e-commerce and digitization across the supply chain, the Group recognizes the importance of continuing investments in people and technology to position Top Form as the leading intimate apparel manufacturer of the future.

As part of the Group's succession planning and leadership transition, the Board has appointed Mr. Wong Kai Chung, Kevin as the Chief Executive Officer of the Group to lead the Group forward and build the next generation leadership team for future sustainable growth. The Board is confident that the new management structure and leadership will guide the Company through the difficult market conditions and volatility in the year ahead.

Mr. Marvin Bienenfeld has informed the Board of his intention to retire as an independent non-executive director of the Company at the conclusion of the annual general meeting of the Company to be held on 31 October 2018 and would not offer himself for re-election. Mr. Bienenfeld has been serving the Board for 20 years, on behalf of the Board, I would like to take this opportunity to express its sincere gratitude to Mr. Bienenfeld for his valuable contributions to the Group during his tenure of office.

Meanwhile, on behalf of the Board, I would like to express our gratitude to our clients and business associates for their continued support, as well as our employees for their dedication and contribution to the Group.

Wong Chung Chong

Chairman

24 August 2018



MANAGEMENT DISCUSSION AND ANALYSIS

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

	Revenue		Profit (loss/expenses)	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Manufacturing	1,281,021	1,126,008	32,162	24,894
Corporate	-	-	(17,080)	(16,443)
	1,281,021	1,126,008	15,082	8,451

For the year ended 30 June 2018, the sales revenue of the Group increased by 14% to HK\$1,281 million from HK\$1,126 million of sales revenue in fiscal 2017. Profit after taxation increased by 107%, from HK\$6 million to HK\$12.3 million during the year.

MANUFACTURING

During the year, we were able to grow our revenue in US market and expanded market share in key customers. This was offset by lower sales in Europe and other region where we have made strategic decision to exit some of the accounts. Overall the revenue grew 14% year over year driven by higher volume and average selling price as we continue to optimize the customer and product mix.

In monetary terms, 63% of our sales were to the US market whilst the sales to the EU represented 26% and the rest of the world accounted for 11%. From the supply side, the overseas manufacturing facilities accounted for 65% of the global production output whilst China accounted for the remaining 35% during the year. We continue to rationalize and optimize the capacity of our manufacturing facilities and we have seen improvement in efficiency across the facilities during the year.

Gross profit margin remained flat at 18%. The positive impact from efficiency improvement was offset by the increase in labor costs in our main operating region and the appreciation of Thai Baht and RMB against US dollars during the year.

The general and administrative expenses increased by 5% during the year. Such increase is mainly due to the one-time costs associated with the closure of our Bangkok office as we consolidated all operations in Thailand to our Maesot facilities. Additionally we have continued to invest in our operations, people and commercial platform.

CORPORATE

The costs attributable to our corporate cost centre for the year amounted to HK\$17.1 million as compared to HK\$16.4 million in the previous year.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

The financial position of the Group remains healthy with shareholders' funds standing at HK\$543 million as at 30 June 2018 compared with HK\$546 million at the previous year end.

Bank balances and cash stood at HK\$103 million whilst credit facilities available to the Group amounted to HK\$149 million and gearing remained at an insignificant level.

Inventory turnover period reduced to 52 days as compared to 57 days in previous year which is mainly due to the improvement in operations and supply chain management.

Capital expenditure during the year amounted to HK\$32 million which was mainly spent on machineries and leasehold improvement for factories.

FOREIGN EXCHANGE RISK

The Group is mainly exposed to fluctuations in exchange rates of Euro, HK dollars, RMB, US dollars and Thai Baht. Majority of the sales revenue are denominated in US dollars, the foreign exchange exposure in respect of US dollars against HK dollars is considered minimal as HK dollars pegged with US dollars. The Group manages its foreign exchange exposure by performing regular review and by taking prudent measures to minimize the currency translation risk.

OUTLOOK & FUTURE DEVELOPMENT

The management team believes that global economic growth is approaching the end of a business cycle. Together with the escalating trade conflicts between the US and China creates a highly volatile market environment and potential disruption to the global supply chain. To cope with these challenges and the ongoing changes in the fashion industry, the Group will continue to improve productivity and efficiency through investments in technology, people and process optimization.

Wong Kai Chi, Kenneth

Managing Director

24 August 2018

Wong Kai Chung, Kevin

Chief Executive Officer



CORPORATE GOVERNANCE REPORT

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

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

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

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

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A A.1	DIRECTORS The Board Code Principle		The Board should assume responsibility for leadership and control of the issuer; and be responsible for directing and supervising the company's affairs. The Board should take decisions objectively in the best interests of the issuer, and should regularly review the contribution required from a director to perform his responsibilities to the Company.



CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																												
A.1.1	<ul style="list-style-type: none"> Regular board meetings at least four times a year. 		<ul style="list-style-type: none"> The Board held four regular meetings during the year ended 30 June 2018. Details of Directors' attendance records are set out below: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Wong Chung Chong <i>(Chairman)</i>^(Note 1)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Kai Chi, Kenneth <i>(Managing Director)</i>^(Note 1)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Kai Chung, Kevin <i>(Vice Chairman)</i>^(Note 1 and 2)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td colspan="2"> <u>Non-executive Directors</u></td> </tr> <tr> <td>Fung Wai Yiu</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Lucas A.M. Laureys^(Note 3)</td> <td style="text-align: right;">0/4</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">3/4</td> </tr> <tr> <td colspan="2"> <u>Independent Non-executive Directors</u></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">2/4</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">4/4</td> </tr> </tbody> </table> <p>Notes:</p> <ol style="list-style-type: none"> Mr. Wong Chung Chong is the father of Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin. Mr. Wong Kai Chi, Kenneth is the elder brother of Mr. Wong Kai Chung, Kevin. Mr. Wong Kai Chung, Kevin was appointed as Chief Executive Officer and ceased to be Vice Chairman on 24 August 2018. Mr. Lucas A.M. Laureys was absent from the meetings during the year for personal reasons. 	<u>Executive Directors</u>	<u>Attendance</u>	Wong Chung Chong <i>(Chairman)</i> ^(Note 1)	4/4	Wong Kai Chi, Kenneth <i>(Managing Director)</i> ^(Note 1)	4/4	Wong Kai Chung, Kevin <i>(Vice Chairman)</i> ^(Note 1 and 2)	4/4	 <u>Non-executive Directors</u>		Fung Wai Yiu	4/4	Lucas A.M. Laureys ^(Note 3)	0/4	Herman Van de Velde	3/4	 <u>Independent Non-executive Directors</u>		Marvin Bienenfeld	2/4	Chow Yu Chun, Alexander	4/4	Leung Churk Yin, Jeanny	4/4	Leung Ying Wah, Lambert	4/4	Lin Sun Mo, Willy	4/4
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A.1.2	<ul style="list-style-type: none"> All directors be given an opportunity to include matters in the agenda for regular board meetings. 		<ul style="list-style-type: none"> Regular Board meetings are scheduled at least 3 months in advance to give Directors the opportunity to include matters in the agenda. 																												



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Compliance	Corporate Governance Practices adopted by the Company
A.1.3	<ul style="list-style-type: none"> Notice of at least 14 days be given for regular board meetings. 	✓	<ul style="list-style-type: none"> At least 14 days formal notice is given before each regular board meeting.
A.1.4	<ul style="list-style-type: none"> Minutes of board meetings and board committee meetings should be kept by a duly appointed secretary of the meeting and open for inspection by directors. 	✓	<ul style="list-style-type: none"> The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings. Such minutes are open for inspection by Directors.
A.1.5	<ul style="list-style-type: none"> Minutes of board meetings and board committee meetings should record in sufficient detail the matters considered and decisions reached. Draft and final versions of minutes should be sent to all directors for comments within a reasonable time. 	✓	<ul style="list-style-type: none"> Minutes recorded the matters considered and decisions reached in sufficient detail. Directors are given an opportunity to comment on draft Board minutes and minutes of Board committee meetings which are sent to Directors within a reasonable time frame (generally within 14 days) of the relevant meeting. The signed Board minutes and minutes of Board committee meetings are placed on record after the same have been reviewed and agreed amongst the Board members.
A.1.6	<ul style="list-style-type: none"> Agreed procedure for directors to seek independent professional advice at the company's expense. 	✓	<ul style="list-style-type: none"> Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company if the Company Secretary considers that such seeking of advice is necessary and appropriate.
A.1.7	<ul style="list-style-type: none"> If a substantial shareholder or a director has a conflict of interest in a material matter, a physical board meeting should be held. Independent non-executive directors who have no material interest in the transaction be present at such meeting. 	✓	<ul style="list-style-type: none"> There is a prescribed list of matters reserved for Board decision which includes matters involving a conflict of interest for a substantial shareholder or Director. The Company's Bye-laws provide for voting and quorum requirements conforming with the Code Provisions. Such matters are considered and approved by the full Board except those Directors who have conflict of interests in such matters.
A.1.8	<ul style="list-style-type: none"> Appropriate insurance cover in respect of legal action against directors. 	✓	<ul style="list-style-type: none"> There is in place appropriate insurance cover for Directors' and Officers' liability.




CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Corporate Governance Practices Compliance adopted by the Company	
A.2	<p>Chairman and Chief Executive</p> <p>Code Principle</p> <p>There should be a clear division of responsibilities between the Chairman and the Chief Executive of the issuer to ensure a balance of power and authority.</p>		
A.2.1	<ul style="list-style-type: none"> Roles of chairman and chief executive should be separated and performed by separate individuals. Division of responsibilities between chairman and chief executive should be clearly established and set out in writing. 	✓	<ul style="list-style-type: none"> The positions of the Chairman, the Managing Director and the Vice Chairman are held by Mr. Wong Chung Chong, Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin respectively. The Chairman focuses on managing the Board issues and supervising the management team in adherence to the long term strategic development of the Group. The Managing Director is responsible for the Group's business development and marketing functions. The Vice Chairman is responsible for the Group's overall corporate functions and operations.
A.2.2	<ul style="list-style-type: none"> The chairman should ensure that all directors are properly briefed on issues arising at board meetings. 	✓	<ul style="list-style-type: none"> The Chairman, with the support of the Managing Director, the Vice Chairman and the Company Secretary, has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities. Board meetings are structured to encourage open discussion and frank debate.
A.2.3	<ul style="list-style-type: none"> The chairman should be responsible for ensuring that directors receive adequate information, which is accurate, clear, complete and reliable in a timely manner. 	✓	<ul style="list-style-type: none"> Board papers are normally sent to Directors at least three days before Board meetings.



CORPORATE GOVERNANCE REPORT

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





CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Corporate Governance Practices Compliance adopted by the Company	
A.3	<p>Board Composition Code Principle</p> <p>The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the issuer and shall include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent elements can effectively be exercised.</p>		
A.3.1	<ul style="list-style-type: none"> Independent non-executive directors should be identified in all corporate communications that disclose the names of directors. 	✓	<ul style="list-style-type: none"> The composition of the Board represents a well-balanced mixture of skills and experience appropriate for the requirements of the business of the Company. Review of the Board composition is made regularly by the nomination committee. The composition of the Board by category is disclosed in all corporate communications and the updated biographical details of the Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management" and on the website of the Company (www.topformbras.com).
A.3.2	<ul style="list-style-type: none"> Maintain on the website an updated list of directors identifying their role and function and whether they are independent non-executive directors. 	✓	<ul style="list-style-type: none"> Biographies and designations of Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management" and also published on the Company's website and are updated when required. A list of names of Directors and their roles and functions is also published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") and the Company's website.
A.4	<p>Appointments, Re-election and Removal Code Principle</p> <p>These should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals.</p>		
A.4.1	<ul style="list-style-type: none"> Non-executive directors should be appointed for a specific term and subject to re-election. 	<i>Deviation explained</i>	<ul style="list-style-type: none"> Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company's Bye-laws.



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.4.2 <ul style="list-style-type: none"> All directors appointed to fill a casual vacancy should be subject to election by shareholders at the next general meeting after their appointment. 		<ul style="list-style-type: none"> In accordance with the Company's Bye-laws, newly appointed Directors to fill casual vacancies are required to offer themselves for re-election at the next general meeting following their appointments.
<ul style="list-style-type: none"> Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. 	<i>Deviation explained</i>	<ul style="list-style-type: none"> Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if the number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office. The Chairman shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. <p>In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the role of Chairman and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.</p>
A.4.3 <ul style="list-style-type: none"> Election of an independent non-executive director serving more than nine years. Include reason why considered to be independent and why should be re-elected. 		<ul style="list-style-type: none"> Each of the Independent Non-executive Directors of the Company confirms annually his/her independence pursuant to Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.






CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Compliance	Corporate Governance Practices adopted by the Company																												
A.5	Nomination Committee																														
A.5.1 to A.5.3	<ul style="list-style-type: none"> The Company should establish a nomination committee which is chaired by the Chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors. Written terms of reference specifying its authority and duties should be published on the HKEx's and the Company's website. 		<ul style="list-style-type: none"> The Company established a Nomination Committee in February 2012 which is currently comprising Mr. Wong Chung Chong, Mr. Wong Kai Chi, Kenneth, Mr. Fung Wai Yiu, Mr. Herman Van de Velde, Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander, Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy, representing a majority of Independent Non-executive Directors. Written terms of reference which follows closely the requirements of the Code Provisions have been adopted by the Board and are available for review on the HKEx's website and the Company's website. During the year under review, one nomination committee meeting was held on 24 May 2018 to assess the independence of the independent non-executive directors and review the structure, size and composition of the Board. Details of their attendance records at the meetings during the year ended 30 June 2018 are set out below: <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Wong Chung Chong</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Wong Kai Chi, Kenneth</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th style="text-align: left;"><u>Non-executive Directors</u></th> <th></th> </tr> <tr> <td>Fung Wai Yiu</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">0/1</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th style="text-align: left;"><u>Independent Non-executive Directors</u></th> <th></th> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">0/1</td> </tr> <tr> <td>Chow Yu Chun, Alexander (Chairman)</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">1/1</td> </tr> </tbody> </table> 	<u>Executive Directors</u>	<u>Attendance</u>	Wong Chung Chong	1/1	Wong Kai Chi, Kenneth	1/1	 		<u>Non-executive Directors</u>		Fung Wai Yiu	1/1	Herman Van de Velde	0/1	 		<u>Independent Non-executive Directors</u>		Marvin Bienenfeld	0/1	Chow Yu Chun, Alexander (Chairman)	1/1	Leung Churk Yin, Jeanny	1/1	Leung Ying Wah, Lambert	1/1	Lin Sun Mo, Willy	1/1
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CORPORATE GOVERNANCE REPORT

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






CORPORATE GOVERNANCE REPORT

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



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
<p>A.6.3</p> <ul style="list-style-type: none"> Directors should ensure that they can give sufficient time and attention to the affairs of the issuer. 		<ul style="list-style-type: none"> Except for absence of Mr. Lucas A.M. Laureys (a Non-executive Director) due to personal reason for relevant meetings, there was satisfactory attendance for Board and Board committee meetings during the year. <p>Please refer to A.1.1, A.5.1, B.1.2, C.3.3 and C.3.4 for details.</p>
<p>A.6.4</p> <ul style="list-style-type: none"> Directors must comply with the Model Code. Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees. 		<ul style="list-style-type: none"> The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (“Model Code”) as its own code for Directors’ dealings in securities of the Company. <p>Having made specific enquiries, the Company confirmed that each of the Directors has complied with the required standards during the year.</p> <ul style="list-style-type: none"> Employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.
<p>A.6.5</p> <ul style="list-style-type: none"> Directors should participate in continuous professional development and refresh their knowledge and skills, with appropriate emphasis on the roles, functions and duties of a listed company director. 		<ul style="list-style-type: none"> The Company Secretary has provided all Directors with relevant directors’ guides for their discharge of duties and updates on changes of relevant rules and regulations. During the year, the Directors’ knowledge and skills are continuously developed and refreshed by reading materials, webcast and guidelines on subjects relating to duties of directors and role and function of Board Committees as well as the Environmental, Social and Governance Reporting guide.



CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<p>Records of the Directors' training during the year ended 30 June 2018 under review are as follows:</p> <p style="text-align: right;"><u>Reading Materials, Webcast and Guidelines</u></p> <p><u>Executive Directors</u></p> <p>Wong Chung Chong (Chairman) ✓</p> <p>Wong Kai Chi, Kenneth (Managing Director) ✓</p> <p>Wong Kai Chung, Kevin (Vice Chairman)^(Note 1) ✓</p> <p><u>Non-executive Directors</u></p> <p>Fung Wai Yiu ✓</p> <p>Lucas A.M. Laureys ✓</p> <p>Herman Van de Velde ✓</p> <p><u>Independent Non-executive Directors</u></p> <p>Marvin Bienenfeld ✓</p> <p>Chow Yu Chun, Alexander ✓</p> <p>Leung Churk Yin, Jeanny ✓</p> <p>Leung Ying Wah, Lambert ✓</p> <p>Lin Sun Mo, Willy ✓</p> <p>Note:</p> <p>1. Mr. Wong Kai Chung, Kevin was appointed as Chief Executive Officer and ceased to be Vice Chairman on 24 August 2018.</p>
A.6.6	<ul style="list-style-type: none"> Directors should disclose at the time of appointment (and at subsequent times) all offices held in other public companies and other significant commitments. 	✓	<ul style="list-style-type: none"> On appointment, Directors have disclosed all relevant information to the Board. They will disclose any change of such information to the Company in a timely manner and such information is updated in annual reports and the Company's website.
A.6.7	<ul style="list-style-type: none"> Directors should ensure regular attendance and active participation at board, board committee and general meetings through which to demonstrate their skills, expertise and varied backgrounds and qualifications. 	✓	<ul style="list-style-type: none"> Except for absence of Mr. Lucas A.M. Laureys (a Non-executive Director) due to personal reason for relevant meetings, there was satisfactory attendance for Board meetings, Board Committee meetings and general meeting during the year. Please refer to A.1.1, A.5.1, B.1.2, C.3.3 and C.3.4 for details. During Board and Board committee meetings, there were open discussions amongst the Board and Board committee members and constructive advice was given to the Board. Directors and chairmen of respective Board committees were available at general meeting to answer questions from Shareholders.
A.6.8	<ul style="list-style-type: none"> Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments. 	✓	<ul style="list-style-type: none"> Details on the roles and functioning of as well as the work performed by Non-executive Directors (including Independent Non-executive Directors) are set out above.



CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.7	<p>Supply of and Access to Information</p> <p>Code Principle</p> <p>Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and to perform their duties and responsibilities.</p>		
A.7.1	<ul style="list-style-type: none"> Board papers should be sent to all directors at least three days before regular board or board committee meetings. 	✓	<ul style="list-style-type: none"> Board papers are circulated no less than three days before regular Board or Board committee meetings.
A.7.2	<ul style="list-style-type: none"> Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable. Each director should have separate and independent access to senior management for making further enquiries where necessary. 	✓	<ul style="list-style-type: none"> The Chief Financial Officer (also acting as the Company Secretary) attended all regular Board and Board committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters. Senior management is from time to time brought into formal and informal contact with the Board at Board meetings and other events to provide briefings and advices on matters discussed at the meetings.
A.7.3	<ul style="list-style-type: none"> Directors are entitled to have access to board papers and related materials; queries raised by directors should be responded promptly and fully. 	✓	<ul style="list-style-type: none"> Board papers and related materials are circulated to Directors three days prior to Board meetings and Board committee meetings and are made available for inspection at any time by Board members and committee members. The Executive Directors, with the support of the Chief Financial Officer (also acting as the Company Secretary), play a leading role in ensuring that queries are answered promptly and fully.



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Compliance	Corporate Governance Practices adopted by the Company
B	REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION		
B.1	The Level and Make-up of Remuneration and Disclosure Code Principle A formal and transparent procedure should be established for setting policy on executive director remuneration and remuneration packages for all directors. No director should be involved in deciding his own remuneration.		
B.1.1	<ul style="list-style-type: none"> The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors and have access to independent professional advice if necessary. 	✓	<ul style="list-style-type: none"> The Company established a Compensation Committee in 2001. There is close liaison and consultation between the Committee and the Chairman on all human resource issues. Committee members are aware that access to professional advice is available if considered necessary.
B.1.2	<ul style="list-style-type: none"> Terms of reference of the remuneration committee to include: <ul style="list-style-type: none"> — make recommendations to the board on policy and structure for remuneration of all directors and senior management. — review and approve management’s remuneration proposals with reference to the Board’s corporate goals and objectives. 	✓	<ul style="list-style-type: none"> The terms of reference of the Compensation Committee follow closely the requirements of the Code Provisions that have been adopted by the Board. The Compensation Committee has the responsibility delegated by the Board to review and assess the remuneration packages of individual executive directors and senior management and make recommendations to the Board. During the year ended 30 June 2018, members of the Committee had held one meeting at which the remuneration of executive Directors and Non-executive Directors was reviewed and recommendations were made to the Board for approval.



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company												
<ul style="list-style-type: none"> — either to determine, with delegated responsibility, specific remuneration packages of individual executive directors and senior management; or to make recommendations to the Board for this purpose. — make recommendations to the Board on remuneration of non-executive directors. — consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group. — review and approve the compensation payable to executive directors and senior management for loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct. — ensure that no director or any of his associates is involved in deciding his own remuneration. 		<ul style="list-style-type: none"> • The Committee comprises the following members and details of their attendance records at the meeting held during the year ended 30 June 2018 are set out below: <table border="0" style="margin-left: 20px; width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Independent Non-executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Marvin Bienenfeld (<i>Chairman</i>)</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td colspan="2" style="padding-top: 10px;"><u>Non-executive Director</u></td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">1/1</td> </tr> </tbody> </table> • The Committee reviews compensation policies of the Group on a regular basis. • The compensation policy of the Group is designed to reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals. • The Group's compensation policy for Non-executive Directors is designed to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group. • No individual Director is involved in deciding his own remuneration. 	<u>Independent Non-executive Directors</u>	<u>Attendance</u>	Marvin Bienenfeld (<i>Chairman</i>)	1/1	Leung Churk Yin, Jeanny	1/1	Leung Ying Wah, Lambert	1/1	<u>Non-executive Director</u>		Herman Van de Velde	1/1
<u>Independent Non-executive Directors</u>	<u>Attendance</u>													
Marvin Bienenfeld (<i>Chairman</i>)	1/1													
Leung Churk Yin, Jeanny	1/1													
Leung Ying Wah, Lambert	1/1													
<u>Non-executive Director</u>														
Herman Van de Velde	1/1													
B.1.3 • The remuneration committee should make available its terms of reference and the authority delegated to it by the board.		<ul style="list-style-type: none"> • The terms of reference of the Compensation Committee are available for review on the HKEx's website and the Company's website. 												
B.1.4 • The remuneration committee should be provided with sufficient resources to perform its duties.		<ul style="list-style-type: none"> • Independent professional advice will be brought to supplement internal resources where appropriate. 												




CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																		
B.1.5	<ul style="list-style-type: none"> Details of remuneration to senior management should be disclosed by band in annual reports. 	✓	<ul style="list-style-type: none"> Details of remuneration paid to members of senior management for the year ended 30 June 2018 are as follows: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">HK\$</td> </tr> <tr> <td>Salaries and other benefits</td> <td style="text-align: right;">7,513,447</td> </tr> <tr> <td>Retirement benefit scheme contributions</td> <td style="text-align: right;">72,000</td> </tr> <tr> <td></td> <td style="text-align: right;">Number of individuals</td> </tr> <tr> <td>HK\$1 to HK\$500,000</td> <td style="text-align: right;">1</td> </tr> <tr> <td>HK\$500,001 to HK\$1,000,000</td> <td style="text-align: right;">0</td> </tr> <tr> <td>HK\$1,000,001 to HK\$1,500,000</td> <td style="text-align: right;">1</td> </tr> <tr> <td>HK\$1,500,001 to HK\$2,000,000</td> <td style="text-align: right;">0</td> </tr> <tr> <td>HK\$2,000,001 to HK\$2,500,000</td> <td style="text-align: right;">3</td> </tr> </table> 		HK\$	Salaries and other benefits	7,513,447	Retirement benefit scheme contributions	72,000		Number of individuals	HK\$1 to HK\$500,000	1	HK\$500,001 to HK\$1,000,000	0	HK\$1,000,001 to HK\$1,500,000	1	HK\$1,500,001 to HK\$2,000,000	0	HK\$2,000,001 to HK\$2,500,000	3
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HK\$1,500,001 to HK\$2,000,000	0																				
HK\$2,000,001 to HK\$2,500,000	3																				
Recommended Best Practices																					
B.1.7	<ul style="list-style-type: none"> A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance. 	✓	<ul style="list-style-type: none"> Details of remuneration of Executive Directors are disclosed on an individual basis in the annual report. A significant proportion of the compensation of Executive Directors and senior management is based on individual performance and the financial performance of the Group. 																		
C	ACCOUNTABILITY AND AUDIT																				
C.1	Financial Reporting Code Principle The Board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.																				
C.1.1	<ul style="list-style-type: none"> Management to provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put forward to the board for approval. 	✓	<ul style="list-style-type: none"> Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis. 																		
C.1.2	<ul style="list-style-type: none"> Management to provide monthly updates to the Board in sufficient details for its assessment of the issuer's performance, position and prospect. 	✓	<ul style="list-style-type: none"> Management provides monthly accounts or updates to Board members, whenever necessary, facilitating a balanced and understandable assessment and appraisal of the Company's performance, position and prospect. 																		





CORPORATE GOVERNANCE REPORT

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



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.1.4 <ul style="list-style-type: none"> Director should include in a separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (business model) and the strategy for delivering such objectives. 		<ul style="list-style-type: none"> This information is stated in the "Chairman's Statement" and "Management Discussion and Analysis" sections in annual reports.
C.1.5 <ul style="list-style-type: none"> The board should present a balanced, clear and understandable assessment in annual/interim reports and other financial disclosures required under the Listing Rules and other statutory requirements. 		<ul style="list-style-type: none"> The Board aims to present a clear, balanced and understandable assessment of the Group's performance and financial position in all shareholder communications. The Board is aware of the requirements under the Listing Rules about timely disclosure of inside information regarding the Company and will arrange to issue and publish such announcements as and when the occasions arise. The Company Secretary will consult and seek legal advice on the materiality and sensitivity of certain material and connected transactions and advise the Board accordingly.




CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Corporate Governance Practices Compliance adopted by the Company
<p>C.2 Risk Management and Internal Controls Code Principle The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal controls systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.</p>	
<p>C.2.1</p> <ul style="list-style-type: none"> • The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries has been conducted at least annually and report that they have done so in their Corporate Governance Report. • The review should cover all material controls, including financial, operational and compliance controls. 	<div style="text-align: center; font-size: 2em; margin-bottom: 10px;">✓</div> <ul style="list-style-type: none"> • The Board, with the support of Internal Audit Department, has overall responsibility for establishing and maintaining appropriate risk management and internal control systems of the Group and reviewing their effectiveness. • The Internal Audit Department conducts reviews on the adequacy and effectiveness of the Group's risk management and internal control systems and reports their findings to the Audit Committee. The review covers financial, operational and compliance control in accordance with an annual audit plan reviewed and endorsed by the Audit Committee at the beginning of each financial year. The Internal Audit Department provides independent assurance to the Audit Committee and the Board on the adequacy and effectiveness of the risk management and internal control systems for the Group during the year under review. • The Board has reviewed and is satisfied as to the effectiveness and adequacy of the risk management and internal control systems of the Group during the year under review.




CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
<p>C.2.2</p> <ul style="list-style-type: none"> The annual review should ensure the adequacy of resources, qualifications and experience of staff, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions. 		<ul style="list-style-type: none"> There have been sufficient resources put in place within the Group to perform the accounting, internal audit and financial reporting functions. <p>The finance team, led by the Chief Financial Officer, with the support of a group of accounting professionals, is responsible for the oversight of the Group's finance and control functions. Adequate training is provided to the finance team and relevant staffs. In addition to the "On-the-job" and internal training, senior staff will regularly attend seminars with topics of relevance to them in discharging their duties, updating their professional knowledge as well as coaching their subordinates.</p> <ul style="list-style-type: none"> The Board has reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget during the year under review and considered that the Group has adequate of staff resources with qualifications and experience necessary for the effective performance of the Group's accounting, internal audit and financial reporting functions.




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




CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
<p>C.24</p> <ul style="list-style-type: none"> • Narrative statement on compliance with code provisions on risk management and internal control including: <ul style="list-style-type: none"> — process used to identify, evaluate and manage significant risks. — the main features of the risk management and internal control systems. — acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. — process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects. — procedures and internal controls for the handling and dissemination of inside information. 		<ul style="list-style-type: none"> • The Board has overall responsibility for risk management and internal control systems of the Group and reviewing their effectiveness. • The Group has in place the risk management and internal control systems which are designed in light of the nature of business as well as the organization structure. • The Group has adopted a holistic approach to identify, assess, mitigate, report and monitor the risks. The management assessed the likelihood of risk occurrence, provide mitigation plans and monitor the risk management progress. Findings and recommendations are reported regularly to the Audit Committee and the Board. • The Group's system of internal control includes a defined management structure with limits of authority and is designed to further the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislation and regulations. • The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. • The management adopts a hands-on approach to the operations of the business and delegation of authority is limited. • Detailed operational and financial budgets are prepared and reviewed by the responsible Directors prior to being adopted.



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
		<ul style="list-style-type: none"> • Robust controls are in place for the recording of complete, accurate and timely accounting and management information. Comprehensive monthly management accounts are prepared, reviewed with, and distributed to appropriate senior managers. In addition, monthly operational review meetings of various operating plants are held. The Chairman, the Managing Director and the Vice Chairman play leading roles in these meetings. • There are internal procedures and controls for the handling and dissemination of inside information. The Group has adopted and implemented a Continuous Disclosure Policy since 22 February 2013. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbors as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcement or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.
<p>C.2.5 The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.</p>		<ul style="list-style-type: none"> • The Group has an internal audit function. The Head of Internal Audit Department has direct access to the Chairman of the Audit Committee. The work plan of the Internal Audit Department focuses on those areas of the Group's activities with the greatest perceived risk and the plan is reviewed and approved by the Audit Committee. The results of internal audit reviews and corresponding remedial actions taken are reported to the Executive Directors and Audit Committee periodically.




CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Corporate Governance Practices Compliance adopted by the Company													
C.3	<p>Audit Committee</p> <p>Code Principle</p> <p>The board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal controls principles and for maintaining an appropriate relationship with the company's auditors. The audit committee should have clear terms of reference.</p>														
C.3.1	<ul style="list-style-type: none"> Minutes should be kept by a duly appointed secretary and sent to all committee members within a reasonable time. 	✓	<ul style="list-style-type: none"> Minutes are prepared by the Company Secretary and sent to members of the Audit Committee within 14 days of each meeting. 												
C.3.2	<ul style="list-style-type: none"> A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in the firm, whichever is the later. 	✓	<ul style="list-style-type: none"> No member of the Audit Committee is a partner of or has financial interest in the existing auditing firm of the Company. 												
C.3.3 and C.3.4	<ul style="list-style-type: none"> The terms of reference of the audit committee should include: <ul style="list-style-type: none"> — relationship with the issuer's external auditors. — review of the issuer's financial information. — oversight of the issuer's financial reporting system, risk management and internal control systems. The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. 	✓	<ul style="list-style-type: none"> The Company established an audit committee in 1998 and all of its members are Independent Non-executive Directors. The terms of reference of the Audit Committee follow closely the requirements of the Code Provisions that have been adopted by the Board and are available for review on the HKEx's website and the Company's website. Under its terms of reference, the Committee reviews the Group's financial information and oversees the financial reporting system, risk management and internal control systems; it also approves the scope of work of the Internal Audit Department and oversees the relationship with the external auditors. The Audit Committee currently consists of the following members and two meetings have been held during the year ended 30 June 2018. Details of committee members' attendance records are set out below: <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Independent Non-executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Leung Ying Wah, Lambert <i>(Chairman)</i></td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">1/2</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table> 	<u>Independent Non-executive Directors</u>	<u>Attendance</u>	Leung Ying Wah, Lambert <i>(Chairman)</i>	2/2	Marvin Bienenfeld	1/2	Chow Yu Chun, Alexander	2/2	Leung Churk Yin, Jeanny	2/2	Lin Sun Mo, Willy	2/2
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Lin Sun Mo, Willy	2/2														




CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
		<ul style="list-style-type: none"> • The principal work performed by the committee during the year ended 30 June 2018 included: <ul style="list-style-type: none"> — review of the Company's financial statements for the year ended 30 June 2018 and for the six months ended 31 December 2017 and recommending such financial statements to the Board for their approval and adoption; — discussions with the external auditors and reporting to the Board any significant matters arising from the interim review and annual audit; — review of the audit reports submitted by Internal Audit Department regarding the systems of internal control and risk management; — review and approval of the audit planning; and — review of the Continuing Connected Transactions. <p>The Committee was satisfied as to the overall effectiveness of the internal controls and risk management process during the year under review.</p>
C.3.5 <ul style="list-style-type: none"> • If Audit Committee disagrees with the Board's view on the selection, appointment, resignation or dismissal of external auditors, a statement from the audit committee explaining its recommendation and reason for such disagreement should be included in the Corporate Governance Report. 		<ul style="list-style-type: none"> • The Audit Committee recommended to the Board, subject to shareholders' approval at the forthcoming annual general meeting ("AGM") to re-appoint KPMG as the external auditors of the Company until the conclusion of next annual general meeting. <p>For the year ended 30 June 2018, the external auditors received HK\$1,921,000 for audit services and HK\$136,000 for non-audit services. The non-audit services represented tax compliance services and salary tax advisory services.</p>



CORPORATE GOVERNANCE REPORT

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



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Corporate Governance Practices Compliance adopted by the Company	
D D.1	<p>DELEGATION BY THE BOARD</p> <p>Management Functions</p> <p>Code Principle</p> <p>An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on behalf of the issuer.</p>		
D.1.1 and D.1.2	<ul style="list-style-type: none"> Board must give clear directions as to the powers of management, including where management should obtain prior board approval before making decisions or entering into any commitments on behalf of the issuer. Formalize the functions reserved to the board and those delegated to management; and review those arrangements periodically to ensure that they remain appropriate to the needs of the company. 		<ul style="list-style-type: none"> The daily management, operation and administration functions of the Company are delegated to the management. The reporting system is designed to ensure that significant issues are reported to the Board on a regular basis. There is a defined schedule of matters reserved for full Board approval, including: <ul style="list-style-type: none"> long-term objectives and strategies; audited financial statements and associated materials; review and approve interim and final results announcements and quarterly operational updates; convening general meetings; recommendations as to dividend; appointment, removal or re-designation of Directors; remuneration of Non-executive Directors and changes in terms and conditions of employment of Executive Directors; material connected transactions; material acquisitions, disposals or joint-venture arrangements; material raising of external finance; appointment and removal of external auditors; matters involving a conflict of interest for a substantial shareholder or Director; and create, issue, purchase, redeem or otherwise reorganize the Company's share capital.



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Compliance	Corporate Governance Practices adopted by the Company
D.1.3	<ul style="list-style-type: none"> An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management. 	✓	<ul style="list-style-type: none"> As set out in D.1.1 and D.1.2.
D.1.4	<ul style="list-style-type: none"> Issuers should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. 	✓	<ul style="list-style-type: none"> A formal appointment letter setting out the key terms and conditions relative to their appointment will be prepared for each newly appointed Director.
D.2	<p>Board Committees Code Principle Board committees should be formed with specific written terms of reference that deal clearly with the committees' authority and duties.</p>		
D.2.1	<ul style="list-style-type: none"> Clear terms of reference to enable proper discharge of committees functions. 	✓	<ul style="list-style-type: none"> Three Board committees, namely Audit Committee, Compensation Committee and Nomination Committee have been established with clear and specific terms of reference. <p>Please refer to A.5.1 to A.5.3, B.1.2, C.3.3 and C.3.4 for details.</p>
D.2.2	<ul style="list-style-type: none"> The terms of reference should require committees to report their decisions and recommendations to the board. 	✓	<ul style="list-style-type: none"> Each Board committee reports to the Board after the relevant meeting.



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Compliance	Corporate Governance Practices adopted by the Company
D.3	Corporate Governance Functions		
D.3.1	<ul style="list-style-type: none"> • The terms of reference should include: <ul style="list-style-type: none"> — developing and reviewing policies and practices on corporate governance and make recommendations to the board. — reviewing and monitoring training and continuous professional development of directors and senior management. — reviewing and monitoring policies and practices on legal and regulatory compliance issues. — developing, reviewing and monitoring the code of conduct applicable to employees and directors. — reviewing code and disclosure of the Company in the Corporate Governance Report. 	✓	<ul style="list-style-type: none"> • The terms of reference adopted by the Board follow closely the Code Provision D.3.1.
D.3.2	<ul style="list-style-type: none"> • The board should be responsible for performing corporate governance duties set out in D.3.1 or it may delegate the responsibilities to a committee. 	✓	<ul style="list-style-type: none"> • Corporate governance functions of the Company are held by the Board with Chairman of the Board playing a leading role. The Board places emphasis on good corporate governance practices and has reviewed the Group's corporate governance practices and code of conduct and compliance matters during the year.






CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																												
E	COMMUNICATION WITH SHAREHOLDERS																														
E.1	Effective Communication Code Principle The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.																														
E.1.1	<ul style="list-style-type: none"> A separate resolution be proposed by the chairman for each substantially separate issue. 	✓	<ul style="list-style-type: none"> Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual Directors. 																												
E.1.2	<ul style="list-style-type: none"> The chairman of the board should attend the annual general meeting and invite the chairman of the audit, remuneration, nomination committees (as appropriate) or in the absence of the chairman of such committees, another members of the committees to attend and be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure that the external auditor attends the annual general meeting to answer questions. 	✓	<ul style="list-style-type: none"> The Chairman of the Board chaired the 2017 annual general meeting held during the year and was available to answer questions from Shareholders. The Chairman or members of respective Board committees also attended the 2017 annual general meeting and were available to answer questions from Shareholders. Details of Directors' attendance records at the 2017 annual general meeting are as follows: <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Wong Chung Chong (<i>Chairman</i>)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chi, Kenneth (<i>Managing Director</i>)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chung, Kevin (<i>Vice Chairman</i>)^(Note 1)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"> <u>Non-executive Directors</u></td> </tr> <tr> <td>Fung Wai Yiu</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Lucas A.M. Laureys</td> <td style="text-align: right;">✗</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"> <u>Independent Non-executive Directors</u></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">✓</td> </tr> </tbody> </table> <p>Note:</p> <ol style="list-style-type: none"> Mr. Wong Kai Chung, Kevin was appointed as Chief Executive Officer and ceased to be Vice Chairman on 24 August 2018. <ul style="list-style-type: none"> The external auditor attended the annual general meeting to answer questions from Shareholders. 	<u>Executive Directors</u>	<u>Attendance</u>	Wong Chung Chong (<i>Chairman</i>)	✓	Wong Kai Chi, Kenneth (<i>Managing Director</i>)	✓	Wong Kai Chung, Kevin (<i>Vice Chairman</i>) ^(Note 1)	✓	 <u>Non-executive Directors</u>		Fung Wai Yiu	✓	Lucas A.M. Laureys	✗	Herman Van de Velde	✓	 <u>Independent Non-executive Directors</u>		Marvin Bienenfeld	✓	Chow Yu Chun, Alexander	✓	Leung Churk Yin, Jeanny	✓	Leung Ying Wah, Lambert	✓	Lin Sun Mo, Willy	✓
<u>Executive Directors</u>	<u>Attendance</u>																														
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CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
E.1.3 <ul style="list-style-type: none"> At least 20 clear business days' notice should be given for annual general meetings and at least 10 clear business days' notice should be given for all other general meetings. 		<ul style="list-style-type: none"> The Company complies with this requirement.
E.1.4 <ul style="list-style-type: none"> Board should establish a shareholders' communication policy and review it regularly. 		<ul style="list-style-type: none"> The Company has established a Shareholders' Communication Policy which can be viewed at the Company's website. Information of shareholders' rights including (i) the way in which Shareholders can convene a special general meeting; (ii) procedures with contact details that Shareholders can send enquiries to the Board; (iii) procedures for putting forward proposals at general meetings; and (iv) procedures Shareholders can use to propose a person for election as a director, is available at the Company's website.
E.2 Voting by Poll Code Principle The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.		
E.2.1 <p>The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.</p>		<ul style="list-style-type: none"> The Chairman explains the detailed procedures for conducting a poll at the outset of the annual general meeting and any general meetings and answers questions from Shareholders.



CORPORATE GOVERNANCE REPORT

Code Ref. Code Provisions		Compliance	Corporate Governance Practices adopted by the Company
F	<p>COMPANY SECRETARY</p> <p>Code Principle</p> <p>Company Secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The Company Secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and facilitates induction of directors.</p>		
F.1.1 to F.1.4	<ul style="list-style-type: none"> The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs. The board should approve the selection, appointment or dismissal of the company secretary. The company secretary should report to the board chairman and/or the chief executive. All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed. 		<ul style="list-style-type: none"> The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company who is assisting and reporting to the Chairman on the Company's issues. The selection, appointment or dismissal of the Company Secretary is approved by the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters. Directors have direct access to the Company Secretary. The Company Secretary has taken no less than 15 hours of relevant professional training during the year under review.



CORPORATE GOVERNANCE REPORT

Business Integrity

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

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

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

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

Communications with the Investment Community

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

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

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

The Company endeavours to be responsive to all media requests.



CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company has adopted a "Shareholders Communication Policy", which is available on the Company's website, setting out the Company's procedures in providing the Shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, with a view to enabling the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and the investment community to engage actively with the Company.

Procedures for shareholders to convene a special general meeting ("SGM")

Shareholders holding not less than one-tenth of the paid-up capital of the Company can deposit a written request to the Board at both the principal office and registered office, for the attention of the Company Secretary, to convene a SGM.

The written request by shareholders must state the purposes of the meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

The request will be verified with the Company's Branch Share Registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

The notice period to be given to all the registered Shareholders for consideration of the proposal raised by the Shareholders concerned at a SGM varies according to the nature of the proposal. Details of procedures are set out in the Company's website.

Procedures for sending enquiries to the Board

The enquiries must be in writing with the detailed contact information of the requisitionists and deposited with the Board or the Company Secretary at the Company's principal office as mentioned above.

Procedures for shareholders to put forward proposals at general meetings

Shareholders holding not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting; or not less than 100 Shareholders holding shares in the Company, can submit a written request to move a resolution at the meeting.

The request will be verified with the Company's Branch Share Registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the meeting provided that the Shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Shareholders. Details of procedures are set out in the Company's website.

CONSTITUTIONAL DOCUMENT

There is no change in the Memorandum of Association and Bye-laws of the Company during the year ended 30 June 2018. The aforesaid constitutional document is available for public inspection at the Company's Website.



DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

A review of the business of the Group during the year and a discussion on the Group's future business development and uncertainties and an analysis of the performance using financial key performance indicators are set out in the Chairman's Statement on page 3 and the Management Discussion and Analysis on pages 4 to 5 of this annual report. The principal risks facing the Group are set out in the Management Discussion and Analysis on pages 4 to 5 and the financial risk management objective and policies detailed in note 24 to the consolidated financial statements.

Details regarding the environmental, social and governance practices adopted by the Group will be set out in the Environmental, Social and Governance Report by way of a separate report to be published on the websites of the HKEx and the Company no later than three months after the publication of this annual report.

In addition, the Group's compliance with relevant laws and regulations and key relationships with employees, customers and suppliers are set out on page 41 of this annual report.

The Group has no significant subsequent events up to the date of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2018 are set out in the Consolidated Statement of Profit or Loss on page 57.

DIVIDEND

The Board has recommended the declaration of a final dividend of HK\$0.05 per share for the year ended 30 June 2018 (for the year ended 30 June 2017: a special dividend of HK\$0.05 per share) subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting ("AGM"). The proposed final dividend will be paid to the Shareholders on 29 November 2018 whose names appear on the registers of members of the Company on 15 November 2018.

An interim dividend of HK\$0.05 per share for the six months ended 31 December 2017 has been paid to the Shareholders during the year ended 30 June 2018 (for the six months ended 31 December 2016: HK\$0.05 per share).

CLOSURE OF REGISTERS OF MEMBERS

(a) Entitlement to attend and vote at the 2018 AGM

The main and branch registers of members of the Company will be closed from 26 October 2018 to 31 October 2018 for the purpose of determining the shareholders' entitlement to attend and vote at the AGM. During that period, no transfer of shares will be registered. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 25 October 2018.

(b) Entitlement to the proposed final dividend

The main and branch registers of members of the Company will be closed from 13 November 2018 to 15 November 2018 for the purpose of determining the shareholders' entitlement to the proposed final dividend. During that period, no transfer of shares will be registered. In order to qualify for the proposed final dividend for the year ended 30 June 2018, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12 November 2018.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 122.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 30 June 2018, the Company was not aware of any non-compliance with any relevant laws and regulations that have a significant impact on the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees are one of the greatest assets of the Company. The Group is committed to continuously grow and cultivate its pool of talent to build sustainable business. The Group provides resources for training and development opportunities for the employees. The Group also offers competitive remuneration package to its employees. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

The Group has developed long-standing and good relationships with its customers and suppliers. The Group serves the customers and suppliers as business partners. The Group endeavours to provide quality service to its customers and works closely with the suppliers to ensure their awareness on quality requirements of the materials and quality control effectiveness.



DIRECTORS' REPORT

SHARE CAPITAL

Details of share capital of the Company during the year are set out in note 25 to the consolidated financial statements. There were no movements during the year.

DIRECTORS

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

Executive directors

Wong Chung Chong	(Chairman)
Wong Kai Chi, Kenneth	(Managing Director)
Wong Kai Chung, Kevin	(appointed as Chief Executive Officer and ceased to be Vice Chairman on 24 August 2018)

Non-executive directors

Fung Wai Yiu
Lucas A.M. Laureys
Herman Van de Velde

Independent non-executive directors

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

The biographical details of the Directors as at the date of this annual report are set out under the section headed "Biographical Details of Directors and Senior Management".

In accordance with bye-law 87(2) of the Company's Bye-laws, Mr. Wong Kai Chi, Kenneth, Mr. Lucas A.M. Laureys, Mr. Herman Van de Velde and Mr. Marvin Bienenfeld will retire by rotation at the AGM. Mr. Marvin Bienenfeld will not offer himself for re-election at the AGM while the other retiring directors, being eligible, offer themselves for re-election.

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

The Non-executive Directors have not been appointed for a specific term but will be subject to retirement by rotation in accordance with the Company's Bye-laws.

CONFIRMATION OF INDEPENDENCE ON INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Wong Chung Chong (“Mr. Wong”), aged 72, has been the Chairman and an Executive Director since 31 October 2014 and 19 November 1991 respectively. He is also the authorized representative and a member of the Nomination Committee of the Company. Mr. Wong is the co-founder of the Group and has taken over the role as Chairman of the Company since 31 October 2014. He is responsible for managing the Board issue and supervising the management team in adherence to the long term strategic development of the Group. He attains extensive experience and is very knowledgeable in the brassiere manufacturing industry. He has over 52 years of experience in the brassiere trade. He is also a director of a number of subsidiaries of the Company. Mr. Wong is the father of Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin, both are Executive Directors of the Company.

Wong Kai Chi, Kenneth (“Mr. Kenneth Wong”), aged 44, has been an Executive Director and the Managing Director of the Company since 1 March 2011 and 22 May 2015 respectively. Mr. Kenneth Wong has been appointed as a member of the Nomination Committee of the Company since 19 February 2016. He joined the Group in 1997 and is a director of Top Form Brassiere Mfg. Co., Limited, a principal wholly owned subsidiary of the Company and various subsidiaries of the Company. Mr. Kenneth Wong is responsible for the Group’s business development and marketing functions. He is currently the Honorary Chairman of Hong Kong Intimate Apparel Industries’ Association since 1 December 2016. He is also a panel member of the Textile and Clothing Research Projects Assessment under Innovation and Technology Fund for a period of two years starting from 1 January 2017 to 31 December 2018 and the Vice Chairman of Multi-Textiles and Fashion Accessories Council for Federation of Hong Kong Industries for a period of two years from 2017 to 2019. He holds a Bachelor degree in Marketing and Operations Management from School of Management, Boston University in the United States of America and a Master degree in International Business from Asian Institute of Technology in Thailand. He has been awarded the Young Industrialist Awards of Hong Kong 2015 by the Federation of Hong Kong Industries. Mr. Kenneth Wong is the son of Mr. Wong and the elder brother of Mr. Wong Kai Chung, Kevin.

Wong Kai Chung, Kevin (“Mr. Kevin Wong”), aged 42, has been an Executive Director since 1 March 2011, and has been the Vice Chairman of the Company since 22 May 2015 until the date of his appointment as Chief Executive Director on 24 August 2018. He is also the authorized representative of the Company. Mr. Kevin Wong has been appointed as an alternate Nomination Committee member to Mr. Kenneth Wong since 19 February 2016. Mr. Kevin Wong joined the Group in 2001. He is a director of Top Form Brassiere Mfg. Co., Limited and various subsidiaries of the Company. Mr. Kevin Wong is responsible for the Group’s overall corporate function and operations. He has over 19 years of experience in business development and organisation. Mr. Kevin Wong graduated from Colby College, the United States of America majoring in Economics and International Studies in 1998. He was awarded a Master of Business Administration degree issued jointly by the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology in 2016. He is the holder of the Chartered Financial Analyst designation. Mr. Kevin Wong is the son of Mr. Wong and the younger brother of Mr. Kenneth Wong.



DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

– CONTINUED

Non-executive directors

Fung Wai Yiu (“Mr. Fung”), aged 70, is a Non-executive Director and a member of the Nomination Committee of the Company. Since 1998 and prior to his re-designation as a Non-executive Director of the Company on 31 October 2014, Mr. Fung served as the Chairman and an Executive Director of the Company and was responsible for the Group’s business strategy and development. Mr. Fung is currently a director of Hongkong Sales (International) Limited, a knitwear apparel manufacturing company. He has over 50 years of experience in the apparel industry.

Lucas A.M. Laureys (“Mr. Laureys”), aged 73, has been a Non-executive Director of the Company since September 2002. He has been re-designated as a non-executive director of Van de Velde N. V. since 1 January 2016, the shares of which are listed on the NYSE Euronext Brussels stock exchange. Mr. Laureys has over 46 years of experience in the brassiere trade and specialises in marketing. Mr. Laureys holds a degree in Economics from the University of Ghent, a Master Degree in Marketing from the University of Leuven and a Master Degree in Business Administration from the University of Ghent Vlerick Business School. He was formerly a board member of Delta Lloyd Bank N. V. and the Chairman of the Board of Omega Pharma (a company previously listed on Euronext).

Herman Van de Velde (“Mr. Van de Velde”), aged 64, has been a Non-executive Director of the Company since September 2002. He also serves as a member of the Compensation Committee and the Nomination Committee of the Company. He has been appointed as the Chairman of the board of Van de Velde N. V. since 1 January 2016 and remains a non-executive director of Van de Velde N. V., the shares of which are listed on the NYSE Euronext Brussels stock exchange. He is also an independent director of Alsico, a Belgian garment company and Brabantia, a Dutch family owned company. He also holds several mandates in non-profit organisations. Mr. Van de Velde joined the brassiere industry in 1981 and is well versed in operating the brassiere business in Europe.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – CONTINUED

Independent non-executive directors

Marvin Bienenfeld (“Mr. Bienenfeld”), aged 86, was appointed as a Non-executive Director of the Company in August 1998 and then re-designated as an Independent Non-executive Director of the Company in September 2004. Mr. Bienenfeld also serves as the Chairman of the Compensation Committee and a member of the Audit Committee and the Nomination Committee of the Company. He was formerly the Chairman of Bestform Inc. and has over 57 years of experience in the ladies’ intimate apparel industry in the United States of America.

Chow Yu Chun, Alexander (“Mr. Chow”), aged 71, has been an Independent Non-executive Director of the Company since February 1993. He also serves as the chairman of the Nomination Committee and a member of the Audit Committee. Mr. Chow is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 39 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Chow is currently an independent non-executive director of Symphony Holdings Limited, Playmates Toys Limited and China Strategic Holdings Limited, all companies are listed on the Hong Kong Stock Exchange and an independent non-executive director of Aquis Entertainment Limited, the shares of which are listed on the Australian Securities Exchange.

Leung Churk Yin, Jeanny (“Ms. Leung”), aged 53, has been an Independent Non-executive Director of the Company since September 2008. Prior to this, she had been an Executive Director of the Company since February 1998 and re-designated as a Non-executive Director in April 1999. She also serves as a member of the Audit Committee, the Compensation Committee and the Nomination Committee of the Company. Ms. Leung is a seasoned investment banker with 30 years of corporate finance experience in Hong Kong, Mainland China and Taiwan. Ms. Leung is currently an executive director of Altus Holdings Limited (stock code: 8149), a company listed on GEM of Hong Kong Stock Exchange.

Leung Ying Wah, Lambert (“Mr. Leung”), aged 71, has been an Independent Non-executive Director of the Company since May 2006. He is the Chairman of the Audit Committee and a member of the Compensation Committee and the Nomination Committee. Mr. Leung was the Chief Executive Officer of a leading construction materials company. He is a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and the Institute of Quarrying (UK). Mr. Leung was the Past Chairman of the Hong Kong Cement Traders and Producers Association and the Past Chairman of the Hong Kong Construction Materials Association.

Lin Sun Mo, Willy (“Mr. Lin”), SBS, MBE, JP, FCILT, aged 58, has been an Independent Non-executive Director of the Company since May 2006. Mr. Lin also serves as a member of both Audit Committee and Nomination Committee of the Company. He holds a Bachelor of Science degree from Babson College in the United States of America and is the Managing Director of Milo’s Knitwear (International) Limited. Mr. Lin is concurrently the Chairman of The Hong Kong Shippers’ Council and Hong Kong Productivity Council, Honorary Chairman of Textile Council of Hong Kong, a Member of the HKSAR’s Logistics Development Council, Maritime and Port Board, Trade and Industry Advisory Board, an Ex-officio member of Committee on Innovation, Technology and Re-industrialisation, a Committee Member of the Chinese People’s Political Consultative Committee of Jieyang, Guangdong, Honorary Trade Advisor of Ministry of Commerce of Thailand and Honorary Consul of the Slovak Republic in Hong Kong and Macao.



DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

– CONTINUED

Senior management

Pun Chi Wa, aged 46, was appointed as the Chief Financial Officer of the Group and the Company Secretary of the Company on 21 June 2018. Mr. Pun holds a Bachelor of Business Administration degree from the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants. He has over 23 years of financial and operational management experience and he held senior position in various companies before joining the Group.

Michael Allen Lurer, aged 43, is the director of manufacturing of Top Form Brassiere Mfg. Co., Limited. He oversees all production operations in Top Form Brassiere Mfg. Co., Limited. He joined the Group in 1997 and has over 21 years of experience in intimate apparel manufacturing. He holds a Bachelor degree in International Trade and Foreign Business from Dalian University, the People's Republic of China.

Wan Ho Yau, David, aged 60, is a director of Grand Gain Industrial Limited, a subsidiary of the Company, producing foam pads and accessories for brassiere manufacturing. He joined the Group in 1994. He holds degrees in Computer Science and Business Administration from York University, Toronto, Canada.

Wong Chor Wai, aged 50, joined the Group in 1989 and is a director of Top Form Brassiere Mfg. Co., Limited. He holds a Bachelor degree in Science from The University of Hong Kong.

CONNECTED TRANSACTIONS

The Group has been for the past 36 years conducting transactions with Van de Velde N. V. ("VdV") by supplying ladies' intimate apparel to VdV. VdV is a connected person of the Company by virtue of it being a substantial shareholder of the Company holding approximately 25.66% of the issued share capital of the Company. Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the non-executive director and the Chairman of VdV respectively, are Non-executive Directors of the Company. Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange) hold an indirect equity interest of 56.26% in VdV via a jointly controlled corporation and therefore they are deemed to be connected persons of the Company. All transactions between VdV and the Group would constitute continuing connected transactions ("Continuing Connected Transactions") pursuant to the Listing Rules of the Hong Kong Stock Exchange. Accordingly, a master agreement dated 18 September 2005 (the "Master Agreement") had been entered into between VdV and the Company to govern the Continuing Connected Transactions and to set annual caps for the Continuing Connected Transactions in respect of the three financial years ended 30 June 2008.

The Master Agreement had been renewed by entering into (i) the 1st renewal agreement dated 12 June 2008 between VdV and the Company for a terms of three years ended 30 June 2011; (ii) the 2nd renewal agreement dated 1 April 2011 between VdV and the Company for a terms of three years ended 30 June 2014; (iii) the 3rd renewal agreement dated 9 April 2014 between VdV and the Company for a terms of three years ended 30 June 2017; and (iv) the 4th renewal agreement ("the 4th Renewal Agreement") dated 10 April 2017 between VdV and the Company for a terms of three years ending 30 June 2020.

An announcement dated 10 April 2017 and a circular dated 4 May 2017 regarding the renewal of the Continuing Connected Transactions contemplated under the 4th Renewal Agreement and the relevant annual caps set for the three financial years ending 30 June 2020 of HK\$130 million, HK\$145 million and HK\$160 million respectively had been published and dispatched to Shareholders and an approval had been obtained from Independent Shareholders of the Company on 25 May 2017.

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

Name of the connected person	Nature of the continuing connected transactions	Annual cap set for the year ended 30 June 2018	
		Amount HK\$'000	HK\$'000
VdV	Sale of ladies' intimate apparel by the Group to VdV	103,940	130,000

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

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

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



DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the year under review.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Bye-laws of the Company, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur about the execution of their duty, or supposed duty, in their respective offices.

Throughout the year, the Company has maintained directors' and officers' liability insurance, which provides cover for the Directors of the Company and its subsidiaries.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.



DIRECTORS' REPORT

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS

As at 30 June 2018, the interests and short positions of the Directors or the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long positions:

Ordinary shares of HK\$0.50 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wong Chung Chong	Beneficial owner and interests held by spouse and a controlled corporation and persons acting in concert (note 1)	60,826,823	28.29%
Wong Kai Chi, Kenneth	Persons acting in concert (note 2)	60,626,823	28.19%
Wong Kai Chung, Kevin	Interests held by a controlled corporation and persons acting in concert (note 3)	60,626,823	28.19%
Marvin Bienenfeld	Beneficial owner	170,000	0.08%
Chow Yu Chun, Alexander	Beneficial owner	680,104	0.32%
Fung Wai Yiu	Beneficial owner and interests held by spouse (note 4)	8,705,704	4.05%
Leung Churk Yin, Jeanny	Beneficial owner	14,104	0.01%
Leung Ying Wah, Lambert	Beneficial owner	80,000	0.04%
Herman Van de Velde	Interests held by a controlled corporation (note 5)	55,184,708	25.66%

Notes:

- 4,288,504 shares were beneficially owned by Mr. Wong Chung Chong ("Mr. Wong") whereas 220,000 shares were held by the spouse of Mr. Wong and 52,318,319 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Mr. Wong. 4,000,000 shares were registered in the name of Triple Gains Ventures Limited ("TGV"), 41.36% equity interest of which was held by Mr. Wong Kai Chung, Kevin ("Mr. Kevin Wong"), and deemed to be interested by Mr. Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 60,626,823 shares were deemed to be interested by Mr. Wong Kai Chi, Kenneth who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 4,000,000 shares were held by TGV, 41.36% equity interest of which was held by Mr. Kevin Wong, and 56,626,823 shares were deemed to be interested by Mr. Kevin Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 4,618,504 shares were beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 4,087,200 shares were held by the spouse of Mr. Fung.
- 55,184,708 shares were held by VdV. Mr. Herman Van de Velde held an indirect equity interest in Van de Velde Holding N. V. which in turn directly held 56.26% of the equity interest of VdV.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 30 June 2018.

Save as disclosed above, none of the Directors nor his/her associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.



DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and as far as was known to the Directors of the Company, persons (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Ordinary shares of HK\$0.50 each of the Company

Name of Shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
High Union Holdings Inc.	Beneficial owner and persons acting in concert (note 1)	60,626,823	28.19%
TGV	Beneficial owner and persons acting in concert (note 2)	60,626,823	28.19%
VdV	Beneficial owner	55,184,708	25.66%
David Michael Webb	Beneficial owner and interests held by a controlled corporation (note 3)	10,772,000	5%

Notes:

- 52,318,319 shares were beneficially owned by High Union Holdings Inc. whereas 8,308,504 shares were deemed to be interested by High Union Holdings Inc. which was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 4,000,000 shares were beneficially owned by TGV whereas 56,626,823 shares were deemed to be interested by TGV which was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 3,562,200 shares were beneficially owned by Mr. David Michael Webb and 7,209,800 shares were held by Preferable Situation Assets Limited, the shares of which were held by Mr. David Michael Webb.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 30 June 2018.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The respective percentages of the Group's purchases from major suppliers and revenue attributable to major customers for the year ended 30 June 2018, were as follows:

—	Percentage of purchases attributable to the Group's largest supplier	15%
—	Percentage of purchases attributable to the Group's five largest suppliers	40%
—	Percentage of revenue attributable to the Group's largest customer	49%
—	Percentage of revenue attributable to the Group's five largest customers	81%

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

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

CHARITABLE DONATION

During the year, the Group made charitable donations amounting to HK\$104,000 (2017: HK\$76,000).

EMOLUMENT POLICY

As at 30 June 2018, the Group had employed approximately 8,684 employees (30 June 2017: approximately 8,538 employees).

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

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

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

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 22 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2018 as required under the Listing Rules of Hong Kong Stock Exchange.



DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance principles and practices and has throughout the year, except for the deviations stated and explained in the Corporate Governance Report set out on pages 6 to 39 of this report, complied with the code provisions as set out in the Corporate Governance Code, Appendix 14 to the Listing Rules of Hong Kong Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

AUDIT COMMITTEE

The Audit Committee, together with the management and the Company's external auditors, have reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal controls systems and financial reporting matters, and reviewed the financial results for the year ended 30 June 2018.

AUDITORS

The consolidated financial statements for the year ended 30 June 2018 have been audited by Messrs. KPMG who will retire and offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Messrs. KPMG as the Company's auditors will be proposed at the forthcoming AGM of the Company.

On behalf of the Board

Wong Chung Chong

Chairman
Hong Kong

24 August 2018



INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of Top Form International Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Top Form International Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 57 to 120, which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS – CONTINUED

Valuation of inventory

Refer to note 17 to the consolidated financial statements and the accounting policies in note 2(f) to the financial statements.

The Key Audit Matter

At 30 June 2018, the Group's gross inventories totalled HK\$180.3 million. A provision for excessive and obsolete inventories of HK\$31.6 million was recorded as at year-end date against these inventories.

Management identify obsolete inventories based on their physical conditions, the expected usage or sales based on estimated future customer demands and the sales orders status of the individual inventories. Taking into account all of these factors, management estimates the expected magnitude of write-offs required and records a provision for inventories accordingly.

We identified assessing the valuation of inventories as a key audit matter because of the inherent risk that the Group's inventories may become obsolete and because the judgement exercised by management in determining the appropriate provision for inventories involves management's assessment of factors which can be inherently uncertain.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of inventories included the following:

- evaluating the Group's policy for provision for inventories with reference to the requirements of the prevailing accounting standards;
- assessing whether the calculation of the provision for inventories at the reporting date was consistent with the Group's inventory provision policy by recalculating the provision for inventories based on the percentages and other parameters in the Group's inventory provision policy;
- evaluating whether management have appropriately identified obsolete inventories by selecting samples of inventory items from the Group's inventory report. For those samples selected, tracing whether these inventory items have confirmed sales orders attached by inspecting the corresponding underlying sales supporting documents. For those samples selected without sales orders, discussing with management and assessing whether sufficient inventory provision has been made by management;
- enquiring of management about any expected changes in plans for production and forecast sales trends and comparing their representations with actual sales and inventory movements subsequent to the reporting date; and
- assessing the historical accuracy of management's estimation of inventory provisions by examining (1) the utilisation or release of previously recorded inventory provisions during the current year and (2) the write-offs of inventory during the current year which were not provided for at the end of the preceding financial year.



INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS – CONTINUED

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheng Mei Yan Hilary.

KPMG

Certified Public Accountants

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

24 August 2018



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Revenue	5	1,281,021	1,126,008
Cost of sales		(1,051,111)	(920,758)
Gross profit		229,910	205,250
Other net income		8,792	15,367
Selling and distribution expenses		(23,017)	(27,694)
General and administrative expenses		(200,671)	(191,646)
Finance costs	6	(307)	(222)
Share of profits of a joint venture		3,516	7,396
Other expenses	15	(3,141)	–
Profit before tax	7	15,082	8,451
Income tax expense	9	(2,735)	(2,473)
Profit for the year		12,347	5,978
Attributable to:			
Owners of the Company		12,869	5,397
Non-controlling interests		(522)	581
Profit for the year		12,347	5,978
Earnings per share	11		
Basic		HK\$0.060	HK\$0.025

The notes on pages 64 to 120 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Profit for the year		12,347	5,978
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Reversal of deferred tax liability upon disposal of investment property	23	–	2,516
Remeasurement of provision for long service payments	22	24	(172)
		24	2,344
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of operations outside Hong Kong			
— subsidiaries		4,977	2,288
— a joint venture		743	(239)
Release of translation reserve upon deemed disposal of interest in a joint venture		(25)	–
Other comprehensive income for the year, net of income tax		5,719	4,393
Total comprehensive income for the year		18,066	10,371
Attributable to:			
Owners of the Company		18,501	9,806
Non-controlling interests		(435)	565
Total comprehensive income for the year		18,066	10,371

The notes on pages 64 to 120 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Property, plant and equipment	12	122,352	111,622
Prepaid land lease payments	13	1,432	1,480
Investment properties	14	86,705	84,180
Deferred tax assets	23	781	–
Derivative financial instrument	19(c)	2,800	4,313
Interest in a joint venture	15	25,830	24,736
Prepaid rental payments	16	631	936
		240,531	227,267
Current assets			
Inventories	17	148,736	150,284
Debtors and other receivables	18	222,627	209,694
Prepaid land lease payments	13	48	48
Current tax recoverable		500	1,105
Bank balances and cash	19(a)	102,616	133,300
		474,527	494,431
Current liabilities			
Creditors and accrued charges	20	137,504	139,300
Obligation under finance lease	21	149	145
Current tax payable		1,851	4,210
		139,504	143,655
Net current assets		335,023	350,776

The notes on pages 64 to 120 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Total assets less current liabilities		575,554	578,043
Non-current liabilities			
Obligation under finance lease	21	62	205
Retirement benefit obligations	22	832	939
Deferred tax liabilities	23	22,198	20,999
		23,092	22,143
Net assets		552,462	555,900
Capital and reserves			
Share capital	25	107,519	107,519
Reserves		435,498	438,501
Equity attributable to owners of the Company		543,017	546,020
Non-controlling interests		9,445	9,880
Total equity		552,462	555,900

Approved and authorised for issue by the board of directors on 24 August 2018.

Wong Chung Chong

Chairman

Wong Kai Chi, Kenneth

Managing Director

The notes on pages 64 to 120 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
		Share capital	Share premium	Capital redemption reserve	Special reserve	Asset revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	Note	\$'000	\$'000	\$'000	(Note) \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016		107,519	1,499	233	7,139	72,499	767	368,062	557,718	11,115	568,833
Exchange differences arising on translation of operations outside Hong Kong (including subsidiaries and joint venture)		-	-	-	-	-	2,065	-	2,065	(16)	2,049
Reclassification of asset revaluation reserve upon disposal of investment properties	14	-	-	-	-	(15,250)	-	15,250	-	-	-
Reversal of deferred tax liability upon disposal of investment property	23	-	-	-	-	2,516	-	-	2,516	-	2,516
Remeasurement of provision for long service payments		-	-	-	-	-	-	(172)	(172)	-	(172)
Profit for the year		-	-	-	-	-	-	5,397	5,397	581	5,978
Total comprehensive income for the year		-	-	-	-	(12,734)	2,065	20,475	9,806	565	10,371
Dividends approved in respect of the previous year	10	-	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
Dividends declared in respect of the current year	10	-	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
Dividends declared to non-controlling interests		-	-	-	-	-	-	-	-	(1,800)	(1,800)
At 30 June 2017		107,519	1,499	233	7,139	59,765	2,832	367,033	546,020	9,880	555,900
At 1 July 2017		107,519	1,499	233	7,139	59,765	2,832	367,033	546,020	9,880	555,900
Exchange differences arising on translation of operations outside Hong Kong (including subsidiaries and joint venture)		-	-	-	-	-	5,633	-	5,633	87	5,720
Release of translation reserve upon deemed disposal of interest in a joint venture		-	-	-	-	-	(25)	-	(25)	-	(25)
Remeasurement of provision for long service payments		-	-	-	-	-	-	24	24	-	24
Profit for the year		-	-	-	-	-	-	12,869	12,869	(522)	12,347
Total comprehensive income for the year		-	-	-	-	-	5,608	12,893	18,501	(435)	18,066
Special dividends approved in respect of the previous year	10	-	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
Dividends declared in respect of the current year	10	-	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
At 30 June 2018		107,519	1,499	233	7,139	59,765	8,440	358,422	543,017	9,445	552,462

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

The notes on pages 64 to 120 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Operating activities			
Profit before tax		15,082	8,451
Adjustments for:			
Reversal of over-provision for long service payments		(83)	(167)
Increase in fair value of investment properties	7	–	(3,520)
(Reversal of provision)/provision for doubtful debts	7	(4,662)	4,662
Allowance for obsolete inventories	7	10,346	9,160
Interest income	7	(573)	(546)
Finance costs	6	307	222
Depreciation of property, plant and equipment	7	23,022	20,582
Release of prepaid land lease payments	7	48	47
Fair value loss/(gain) on derivative financial instrument	7	1,513	(674)
Share of profits of a joint venture		(3,516)	(7,396)
Loss on deemed disposal of interest in a joint venture	15	3,141	–
Loss/(gain) on disposal of property, plant and equipment	7	129	(186)
Operating cash flows before movements in working capital		44,754	30,635
Decrease in prepaid rental payments		333	451
Increase in inventories		(8,658)	(24,273)
Increase in debtors and other receivables		(7,308)	(20,891)
Decrease in amount due from a joint venture		–	11
(Decrease)/increase in creditors and accrued charges		(1,757)	22,367
Benefits paid for long service payments		–	(319)
Cash generated from operations		27,364	7,981
Hong Kong Profits Tax paid		(3,053)	(2,959)
Taxation paid in other jurisdictions		(1,659)	(637)
Net cash generated from operating activities		22,652	4,385

The notes on pages 64 to 120 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Investing activities			
Purchase of property, plant and equipment		(32,276)	(34,089)
Interest income		573	546
Proceeds from disposal of property, plant and equipment		185	284
Proceeds from disposal of investment property	14	-	19,000
Net cash used in investing activities		(31,518)	(14,259)
Financing activities			
Capital element of finance lease rentals paid	19(b)	(145)	(104)
Interest element of finance lease rentals paid	19(b)	(4)	(41)
Interest paid		(285)	(181)
Dividends paid	10	(21,504)	(21,504)
Dividends paid to non-controlling interests		-	(1,800)
Net cash used in financing activities		(21,938)	(23,630)
Net decrease in cash and cash equivalents		(30,804)	(33,504)
Cash and cash equivalents at beginning of the year		133,300	166,680
Effect of foreign exchange rate changes		120	124
Cash and cash equivalents at end of the year		102,616	133,300
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		102,616	133,300

The notes on pages 64 to 120 form part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 GENERAL

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and certain properties that are measured at fair values, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The principal accounting policies are set out below.

(a) Subsidiaries and non-controlling interests

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

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(b)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(b) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(c) Revenue recognition

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(d) Property, plant and equipment

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

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

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

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

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

(e) Investment properties

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease

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

(i) The Group as lessor

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the term of the relevant lease. Contingent rentals are recognized as income in the accounting period in which they are earned.

(ii) The Group as lessee

Operating lease payments are charged to profit or loss in equal instalments over the lease term.

Lease incentives received are to enter into operating leases, such incentives are recognised as a liability. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Leasing – continued

(ii) The Group as lessee – continued

Leasehold land and building

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

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

Other rental prepayments

Other rental prepayments for operating leases are recognised at cost and amortised as an expense on a straight-line basis over the lease term and are presented as “prepaid rental payments” in the consolidated statement of financial position.

(h) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non controlling interests as appropriate). On disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation is reclassified from equity to profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) Borrowing costs

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

(j) Employee benefits

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

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

(ii) Defined benefit retirement benefit plan obligations

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

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

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

(k) Termination benefits

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(I) Taxation

Income tax for the year comprises current tax payable and movements in deferred tax assets and liabilities.

Current tax is the expected tax payable on the taxable income for the year. Taxable income differs from “profit before tax” as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are permanently non-taxable or non-deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Taxation – continued

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously;
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Financial instruments

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

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

(i) Financial assets

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

Effective interest method

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

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

Derivative financial instruments

Derivative financial assets are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Financial instruments – continued

(i) Financial assets – continued

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

For investments in joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(b)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n).

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Financial instruments – continued

(i) Financial assets – continued

Impairment of financial assets – continued

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

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

(ii) Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Financial instruments – continued

(iii) Derecognition

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

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

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

(n) Impairment of other assets

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Impairment of other assets – continued

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

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

(o) Cash and cash equivalents

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

(p) Provisions and contingent liabilities

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(q) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(r) Segment reporting

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 19(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Allowance of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories or that the inventories have no further use. The Group has a concentration of risk with the top five customers domiciled in the United States of America ("USA"), Europe and New Zealand comprising 82% (2017: 79%) of the Group's total revenue. Any further adverse changes in the economic environment of the USA, Europe and New Zealand may impact demand for the Group's products and the net realisable value of the inventory. The allowance also depends on management's assessment of the condition and usefulness of the inventories. Where the expectation of the net realisable value or use of inventories is different from the original estimate, such difference will impact the carrying value of inventories and the allowance of inventories in the consolidated statement of profit or loss. The Group's carrying amount of inventories as at 30 June 2018 was approximately \$148,736,000 (2017: \$150,284,000) net of allowance of inventories of \$31,559,000 (2017: \$30,508,000).

(b) Allowance for doubtful debts

Allowances are applied to trade debtors where events or changes in circumstances provide objective evidence that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates with reference to past performance and current events. Any material adverse changes in the economic environment, credit conditions and recent repayment history of the Group's customers may impact the recoverability of the trade debtors and have a material effect to the carrying amount of trade debtors. Where the actual cash flows are less than expectations, such difference will be recognised in the allowance for doubtful debts and as doubtful debts expense.

(c) Impairment of property, plant and equipment

As at 30 June 2018, the aggregate carrying amount of the Group's property, plant and equipment is \$122,352,000 (2017: \$111,622,000). The Group performs annual impairment assessment on the carrying amount of property, plant and equipment when indication of impairment is identified to determine whether there is objective evidence of impairment. The recoverable amount is the higher of fair value less costs of disposal and its value in use. The management determines the recoverable amount of the relevant cash generating unit ("CGU") based on the basis of the value in use calculation which requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate. Where the future cash flows are less or more than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment loss or reversal of impairment loss may arise.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

(d) Depreciation

The Group's property, plant and equipment are depreciated using the straight-line method over their estimated useful lives as outlined in note 12 of the financial statements.

The Group reviews the useful lives of these assets and their residual values, if any, on an annual basis. Any material changes in the estimated useful lives will result in significant changes to depreciation expense to be incurred for future periods.

5 REVENUE AND SEGMENT INFORMATION

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

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

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

All the Group's segment assets and liabilities are under the manufacturing business as at 30 June 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

(a) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, prepaid land lease payments, investment properties, interest in a joint venture and prepaid rental payments ("specified non-current assets"). The geographical location of customers is based on the location to which the goods are delivered.

	Revenue from external customers		Specified non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	19,802	15,402	9,541	11,243
USA	813,948	600,972	–	–
Belgium	104,115	108,779	–	–
The Netherlands	71,280	96,461	–	–
Spain	48,805	35,839	–	–
France	43,226	44,735	–	–
The People's Republic of China ("PRC")	29,441	23,744	163,101	154,578
Germany	29,208	49,746	–	–
Italy	17,600	10,501	–	–
Mexico	17,328	10,468	–	–
Thailand	13	116	60,492	51,956
Cambodia	–	–	3,816	5,177
Others	86,255	129,245	–	–
	1,281,021	1,126,008	236,950	222,954

(b) Information about major customers

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

	2018 HK\$'000	2017 HK\$'000
Customer A	624,357	564,872
Customer B	154,522	31,712



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 FINANCE COSTS

	2018 \$'000	2017 \$'000
Interest expense on bank borrowings	285	181
Finance charges on obligations under finance lease	22	41
	307	222

7 PROFIT BEFORE TAX

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

	2018 HK\$'000	2017 HK\$'000
Auditor's remuneration	2,034	1,954
Depreciation of property, plant and equipment	23,022	20,582
(Reversal of provision)/provision for doubtful debts	(4,662)	4,662
Allowance for obsolete inventories (included in costs of sales)	10,346	9,160
Release of prepaid land lease payments	48	47
Loss/(gain) on disposal of property, plant and equipment	129	(186)
Minimum lease payments paid under operating leases in respect of land and buildings (Note a)	18,212	16,488
Increase in fair value of investment properties	-	(3,520)
Cost of inventories recognised as an expense	1,040,765	911,598
Net exchange (gain)/loss	(131)	2,578
Staff costs, including directors' emoluments (Note b)	482,622	411,428
Interest income	(573)	(546)
Fair value loss/(gain) of derivative financial instrument	1,513	(674)
Gross rental income from investment properties	(3,641)	(3,999)
Less: Direct operating expenses from investment properties that generate rental income during the year	-	37
	(3,641)	(3,962)

Notes:

(a) Included in the amount are operating lease rentals of \$1,687,000 (2017: \$1,298,000) in respect of staff quarters.

(b) Details of directors' emoluments included in staff costs are disclosed in note 8. Staff costs included amounts in respect of defined contribution retirement benefit schemes contributions of \$26,915,000 (2017: \$23,779,000) and reversal of provision for long service payments of \$83,000 (2017: \$167,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of emoluments paid or payable by the Group to the Directors (including Non-executive Directors) disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2018 \$'000	2017 \$'000
Fees to Non-executive Directors	1,600	1,600
Remuneration to Executive Directors:		
— Salaries and other benefits	8,688	8,412
— Retirement benefit scheme contributions	54	54
Total Directors' emoluments	10,342	10,066

	For the year ended 30 June 2018			
	Fees \$'000	Salaries and other benefits \$'000	Retirement benefit scheme contributions \$'000	Total \$'000
Wong Chung Chong, Eddie	–	3,412	18	3,430
Wong Kai Chi, Kenneth	–	2,638	18	2,656
Wong Kai Chung, Kevin	–	2,638	18	2,656
Fung Wai Yiu	200	–	–	200
Lucas A.M. Laureys	200	–	–	200
Leung Churk Yin, Jeanny	200	–	–	200
Herman Van de Velde	200	–	–	200
Marvin Bienenfeld	200	–	–	200
Chow Yu Chun, Alexander	200	–	–	200
Leung Ying Wah, Lambert	200	–	–	200
Lin Sun Mo, Willy	200	–	–	200
	1,600	8,688	54	10,342



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

(a) Directors – continued

	For the year ended 30 June 2017			Total \$'000
	Fees \$'000	Salaries and other benefits \$'000	Retirement benefit scheme contributions \$'000	
Wong Chung Chong, Eddie	–	3,412	18	3,430
Wong Kai Chi, Kenneth	–	2,500	18	2,518
Wong Kai Chung, Kevin	–	2,500	18	2,518
Fung Wai Yiu	200	–	–	200
Lucas A.M. Laureys	200	–	–	200
Leung Churk Yin, Jeanny	200	–	–	200
Herman Van de Velde	200	–	–	200
Marvin Bienenfeld	200	–	–	200
Chow Yu Chun, Alexander	200	–	–	200
Leung Ying Wah, Lambert	200	–	–	200
Lin Sun Mo, Willy	200	–	–	200
	1,600	8,412	54	10,066

None of the Directors waived any emoluments during either year.

(b) Employees

Of the five individuals with the highest emoluments in the Group, three (2017: three) were Directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining two (2017: two) individuals were as follows:

	2018 \$'000	2017 \$'000
Salaries and other benefits	3,503	3,951
Discretionary bonus	1,596	–
Retirement benefit scheme contributions	27	36
	5,126	3,987

The emoluments were within the following bands:

	Number of individuals	
	2018	2017
\$1,500,001 – \$2,000,000	–	1
\$2,000,001 – \$2,500,000	1	1
\$2,500,001 – \$3,000,000	1	–



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9 INCOME TAX EXPENSE

	2018 HK\$'000	2017 HK\$'000
Current tax:		
Hong Kong	1,716	1,572
Other jurisdictions	1,303	979
	3,019	2,551
Over-provision of the current tax in prior years:		
Hong Kong	(71)	(490)
Deferred taxation		
Origination and reversal of temporary differences	(213)	412
	2,735	2,473

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

The tax expense for the year is reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2018 \$'000	2017 \$'000
Profit before tax	15,082	8,451
Tax at the Hong Kong Profits Tax rate of 16.5%	2,489	1,394
Tax effect of expenses not deductible for tax purposes	1,521	428
Tax effect of income not taxable for tax purposes	(1,307)	(2,254)
Tax effect of tax losses not recognised	3,580	3,861
Tax effect of utilisation of tax losses previously not recognised	(2,058)	(3,565)
Tax effect of tax losses previously not recognised but recognised in current year	(1,180)	–
Tax effect of temporary differences not recognised	(999)	3,463
Over-provision in prior years	(71)	(490)
Effect of different tax rates of subsidiaries operating in other jurisdictions	760	(364)
Income tax expense for the year	2,735	2,473



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Dividends recognised as distribution during the year:		
2017 special dividend of HK\$0.05 per share (2017: 2016 final dividend of HK\$0.05 per share)	10,752	10,752
2018 interim dividend of HK\$0.05 per share (2017: 2017 interim dividend of HK\$0.05 per share)	10,752	10,752
	21,504	21,504
Dividends proposed after the end of the reporting period:		
2018 final dividend of HK\$0.05 per share (2017: 2017 special dividend of HK\$0.05 per share)	10,752	10,752

Final dividend proposed by the directors are subject to approval by the shareholders in the annual general meeting.

11 EARNINGS PER SHARE

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

	2018 HK\$'000	2017 HK\$'000
Profit attributable to the owners of the Company for the purpose of computing basic earnings per share	12,869	5,397

	Number of shares	
	2018	2017
Number of ordinary shares for the purpose of computing basic earnings per share	215,037,625	215,037,625

No diluted earnings per share has been presented because there are no dilutive potential ordinary shares outstanding for both years.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Cost:							
At 1 July 2016	4,869	80,653	75,276	287,781	10,951	1,950	461,480
Currency realignment	198	823	238	1,468	28	-	2,755
Additions	-	400	11,205	21,443	1,020	21	34,089
Disposals/write-off	-	(2,512)	(6,112)	(6,997)	(1,385)	-	(17,006)
Reclassification	-	-	1,939	11	-	(1,950)	-
At 30 June 2017	5,067	79,364	82,546	303,706	10,614	21	481,318
At 1 July 2017	5,067	79,364	82,546	303,706	10,614	21	481,318
Currency realignment	153	660	312	2,277	33	1	3,436
Additions	-	2,286	3,794	25,640	484	72	32,276
Disposals/write-off	-	-	-	(5,097)	(131)	-	(5,228)
Reclassification	-	-	-	22	-	(22)	-
At 30 June 2018	5,220	82,310	86,652	326,548	11,000	72	511,802
Depreciation and impairment:							
At 1 July 2016	-	45,180	69,182	241,486	8,884	-	364,732
Currency realignment	-	149	211	923	7	-	1,290
Charge for the year	-	3,922	4,441	11,159	1,060	-	20,582
Eliminated on disposals/write-off	-	(2,512)	(6,073)	(6,938)	(1,385)	-	(16,908)
At 30 June 2017	-	46,739	67,761	246,630	8,566	-	369,696
At 1 July 2017	-	46,739	67,761	246,630	8,566	-	369,696
Currency realignment	-	107	225	1,300	14	-	1,646
Charge for the year	-	4,066	4,885	13,128	943	-	23,022
Eliminated on disposals/write-off	-	-	-	(4,783)	(131)	-	(4,914)
At 30 June 2018	-	50,912	72,871	256,275	9,392	-	389,450
Net book value:							
At 30 June 2018	5,220	31,398	13,781	70,273	1,608	72	122,352
At 30 June 2017	5,067	32,625	14,785	57,076	2,048	21	111,622



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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

— Land and buildings	Over the shorter of the term of the lease, or 2%–6.5%
— Leasehold improvements	Over the shorter of the term of the lease, or 20%
— Furniture, fixtures and equipment	10%–33%
— Motor vehicles	20%–30%

Note:

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

	2018 \$'000	2017 \$'000
Land and buildings outside Hong Kong:		
— Long-term lease	2,910	3,033
— Medium-term lease	28,482	29,586
Land and buildings in Hong Kong under medium-term lease	6	6
Freehold land outside Hong Kong	5,220	5,067
	36,618	37,692

13 PREPAID LAND LEASE PAYMENTS

Leasehold land is depreciated on a straight-line basis over the terms of the leases.

	2018 \$'000	2017 \$'000
<i>Analysed for reporting purposes as:</i>		
Current asset	48	48
Non-current asset	1,432	1,480
	1,480	1,528
<i>The Group's prepaid land lease payments comprise:</i>		
Leasehold land outside Hong Kong:		
– Medium-term lease	1,480	1,528



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES

	2018 \$'000	2017 \$'000
<i>Fair value</i>		
At beginning of the year	84,180	100,991
Currency realignment	2,525	(1,331)
Change in fair value of investment properties	–	3,520
Disposal	–	(19,000)
At end of the year	86,705	84,180

The fair value of the Group's investment properties at 30 June 2018 and 2017 have been arrived at on the basis of a valuation carried out on the respective dates by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at using the investment approach by taking into account the current passing rents of the properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenant.

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

Investment properties shown above amounted to \$86,705,000 (2017: \$84,180,000) are situated on land outside of Hong Kong on medium term lease.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES – CONTINUED

Fair value hierarchy

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

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

	Fair value at 30 June 2018 \$'000	Fair value measurements as at 30 June 2018 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Investment properties:				
— Industrial — PRC	75,689	–	–	75,689
— Residential — PRC	11,016	–	–	11,016

	Fair value at 30 June 2017 \$'000	Fair value measurements as at 30 June 2017 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Investment properties:				
— Industrial — PRC	72,450	–	–	72,450
— Residential — PRC	11,730	–	–	11,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES – CONTINUED

Fair value hierarchy – continued

Information about Level 3 fair value measurements

	Unobservable input – Capitalisation rate		Unobservable input – Reversionary potential monthly rent per square meter	
	Range	Weighted average	Range	Weighted average
Investment properties as at 30 June 2018				
— Industrial – PRC	2.5% to 3.0%	2.72%	RMB78.0 to RMB81.3	RMB80.0
— Residential – PRC	2.5% to 2.8%	2.54%	RMB78.6 to RMB82.9	RMB80.2
Investment properties as at 30 June 2017				
— Industrial – PRC	2.5% to 3.0%	2.95%	RMB71.0 to RMB72.0	RMB71.6
— Residential – PRC	3.2% to 3.5%	3.48%	RMB75.0 to RMB79.0	RMB76.5

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES – CONTINUED

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

	Investment properties — industrial — PRC \$'000	Investment properties — residential — PRC \$'000	Investment properties — industrial — Hong Kong \$'000	Total \$'000
At 1 July 2016	71,069	11,222	18,700	100,991
Fair value adjustment	2,530	690	300	3,520
Currency realignment	(1,149)	(182)	–	(1,331)
Disposal	–	–	(19,000)	(19,000)
At 30 June 2017	72,450	11,730	–	84,180
At 1 July 2017	72,450	11,730	–	84,180
Fair value adjustment	1,066	(1,066)	–	–
Currency realignment	2,173	352	–	2,525
At 30 June 2018	75,689	11,016	–	86,705

Fair value adjustment of investment properties is recognised in the line item “other net income” on the face of the consolidated statement of profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15 INTEREST IN JOINT VENTURE

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of incorporation and business	Particulars of issued and paid up capital	Effective percentage of equity interest held	Principal activity
Charming Elastic Fabric Company Limited ("Charming")	Hong Kong	Ordinary — HK\$18,260,470 Deferred — HK\$810,000	49%	Manufacture of elastic garment straps

The Group has entered into a shareholders' agreement (the "Shareholders' Agreement") with New Horizon International Investments Limited ("New Horizon"), a wholly-owned subsidiary of Best Pacific International Holdings Limited, immediately after completion of the acquisition of 40% of the issued ordinary shares of Charming by New Horizon from an independent third party on 4 November 2015.

According to the Shareholders' Agreement, should Charming together with its subsidiary ("Charming Group") be able to achieve certain pre-agreed performance targets by 30 June 2017 or by 31 December 2018, New Horizon shall have the right to subscribe for new ordinary shares in Charming such that New Horizon may eventually hold up to 51% of the then entire issued ordinary shares of Charming. Further, should New Horizon eventually hold 51% of the then entire issued ordinary shares of Charming, the Group shall have the right to dispose of part or all of its interest in Charming to New Horizon up to 30 June 2022.

Based on the audited financial results of Charming Group as of 30 June 2017, the pre-agreed performance targets for Charming were met. As such, New Horizon subscribed for 71,089 new shares issued by Charming on 27 December 2017. As a result, New Horizon's shareholding in Charming increased from 40% to 51%, while the Group's shareholding in Charming diluted from 60% to 49% and a loss on deemed disposal of interest in a joint venture of HK\$3,141,000 was recognised by the Group in "Other expenses" during the current period.

Under the Shareholders' Agreement, the substantive operating and financing decisions related to Charming are under the joint control by the Group and New Horizon when the Group's shareholding in Charming is 20% or above. As a result, the Group continues to account for its interest in Charming as a joint venture both in 2017 and 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15 INTEREST IN JOINT VENTURE – CONTINUED

Summarised financial information of Charming, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2018 \$'000	2017 \$'000
Gross amounts of Charming's		
Current assets	33,221	33,833
Non-current assets	23,701	23,832
Current liabilities	(8,231)	(16,438)
Equity	(48,691)	(41,227)
Included in the above assets and liabilities:		
Cash and cash equivalents	4,705	11,577
Current financial liabilities (excluding trade and other payables and provisions)	(703)	(4,659)
Revenue		
	83,587	86,292
Profit from continuing operations after tax	5,862	12,327
Other comprehensive income	2,280	(399)
Total comprehensive income	8,142	11,928
Included in the above profit:		
Depreciation and amortisation	3,273	2,562
Interest income	–	44
Interest expense	8	70
Reconciled to the group's interest in Charming		
Gross amounts of Charming's net assets	48,691	41,227
Group's effective interest	49%	60%
Group's share of Charming's net assets	23,859	24,736
Disproportionate Share of undistributed profits (Note)	1,971	–
Carrying amount in the consolidated financial statements	25,830	24,736

Note: According to the Shareholders' Agreement, the Group is entitled to 60% of the dividend distributed for the years ended 30 June 2016 and 2017 irrespective for the change in shareholding as mentioned above.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 PREPAID RENTAL PAYMENTS

At 30 June 2018 and 2017, prepaid rental payments represented the prepaid rent for factories in Thailand for fifteen years until June 2024. The current portion of \$333,000 (2017: \$388,000) is included in debtors and other receivables.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2018 \$'000	2017 \$'000
Raw materials	59,818	51,360
Work in progress	41,089	48,633
Finished goods	47,829	50,291
	148,736	150,284

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2018 \$'000	2017 \$'000
Carrying amount of inventories sold	1,040,765	911,598
Allowance for obsolete inventories	10,346	9,160
	1,051,111	920,758

18 DEBTORS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade debtors	196,814	190,639
Less: allowance for doubtful debts	-	(4,662)
	196,814	185,977
Other receivables	25,813	23,717
	222,627	209,694



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 DEBTORS AND OTHER RECEIVABLES – CONTINUED

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in debtors and other receivables) net of allowance for doubtful debts, based on the invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
1–90 days	160,777	162,695
91–180 days	36,037	23,282
	196,814	185,977

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The movement in the allowance for doubtful debts during the year is as follows:

	2018 HK\$'000	2017 HK\$'000
At 1 July	4,662	–
(Reversal of impairment loss)/impairment loss recognised	(4,662)	4,662
At 30 June	–	4,662



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 DEBTORS AND OTHER RECEIVABLES – CONTINUED

(c) Trade debtors that are not impaired

The Group allows an average credit period of 45 days (2017: 45 days) to its trade customers. Before accepting any new customers, the Group will assess the potential customer's credit quality. The management of the Company assesses the credit quality of the trade debtors based on payment due date. An ageing analysis of trade debtors based on the payment due date, at the end of the reporting period is as follows:

	2018 HK\$'000	2017 HK\$'000
Neither past due nor impaired	191,215	166,432
1–30 days past due	4,167	7,496
31–60 days past due	116	56
Over 60 days past due	1,316	394
	5,599	7,946
	196,814	174,378

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19 OTHER FINANCIAL ASSETS

(a) Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.001% to 2.1% (2017: 0.001% to 1.75%) per annum.

(b) Reconciliation of liabilities arising from financing activities

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

	Finance leases
	\$'000
	(Note 21)
At 1 July 2017	350
Changes from financing cash flows:	
Capital element of finance lease rentals paid	(145)
Interest element of finance lease rentals paid	(4)
Total changes from financing cash flows	(149)
Exchange adjustments	(12)
Other changes:	
Finance lease on obligations under finance leases (note 6)	22
At 30 June 2018	211

(c) Derivative financial instrument

Pursuant to the Shareholders' Agreement mentioned in note 15, the Group is entitled the right to exercise its option ("the Exit Option") to require New Horizon to buy out all or part of the issued shares of Charming held by the Group at any time during the period of two years from 1 July 2020 to 30 June 2022 at a price set out in the Shareholders' Agreement. The Exit Option is recognised as a derivative financial instrument at fair value through profit or loss. The loss on fair value change of such Exit Option of \$1,513,000 for the year (2017: gain of \$ 674,000) is recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 CREDITORS AND ACCRUED CHARGES

	2018 HK\$'000	2017 HK\$'000
Trade creditors	74,951	76,467
Other creditors and accrued charges	62,553	62,833
	137,504	139,300

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

	2018 HK\$'000	2017 HK\$'000
Current	71,370	72,064
1–30 days past due	3,135	3,253
31–60 days past due	294	467
Over 60 days past due	152	683
	74,951	76,467

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2018, the Group had obligations under finance leases repayable as follows:

	2018	
	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	149	158
After 1 year but within 2 years	62	66
	211	224
Less: total future interest expenses		13
Present value of lease obligations		211

	2017	
	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	145	154
After 1 year but within 2 years	145	154
After 2 years but within 5 years	60	63
	205	217
	350	371
Less: total future interest expenses		21
Present value of lease obligations		350



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 RETIREMENT BENEFIT SCHEMES

(a) Provision for long service payments

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

The most recent actuarial valuation of the present value of the Group's obligation for long service payments was carried out at 30 June 2018 by AON Hewitt, an independent firm of human resource consultants and actuaries. The present value of the Group's obligation for long service payments, the related current service cost and actuarial gain/loss were measured using the projected unit credit method.

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

	2018	2017
Discount rate	2.2% per annum	1.4% per annum
Expected rate of salary increases	3.5% per annum	3% per annum
Long-term rate of return on contributions	5% per annum	5% per annum

The below analysis shows how the defined benefit obligation as at 30 June 2018 would have increased/(decreased) as a result of a 1% change in the significant actuarial assumptions:

	2018		2017	
	Increase in 1% \$'000	Decrease in 1% \$'000	Increase in 1% \$'000	Decrease in 1% \$'000
Discount rate	(60)	68	(92)	106
Future salary increases	143	(110)	179	(123)

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 RETIREMENT BENEFIT SCHEMES – CONTINUED

(a) Provision for long service payments – continued

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

	2018 \$'000	2017 \$'000
Current service cost	(96)	(182)
Interest cost	13	15
Amount credited for the year (included in staff costs under general and administrative expenses)	(83)	(167)
Actuarial (gains)/losses	(24)	172
Amounts (credited)/debited for the year (included in other comprehensive income)	(24)	172
Total defined benefit (credits)/debits	(107)	5

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

	2018 \$'000	2017 \$'000
At beginning of the year	939	1,253
Current service cost	(96)	(182)
Interest cost	13	15
Actuarial (gains)/losses	(24)	172
Benefits paid	–	(319)
At end of the year	832	939

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 RETIREMENT BENEFIT SCHEMES – CONTINUED

(b) Defined contribution schemes

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

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

The total cost charged to consolidated statement of profit or loss of \$26,915,000 (2017: \$23,779,000) represents contributions payable to these schemes by the Group in respect of the current year.

23 DEFERRED TAXATION

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

	2018	2017
	\$'000	\$'000
Net deferred tax asset recognised in the consolidated statement of financial position	781	–
Net deferred tax liability recognised in the consolidated statement of financial position	(22,198)	(20,999)
	(21,417)	(20,999)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 DEFERRED TAXATION – CONTINUED

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

	Depreciation in excess of the related depreciation allowance \$'000	Revaluation of properties \$'000	Unrealised loss on inventories \$'000	Tax loss \$'000	Total \$'000
At 1 July 2016	(311)	23,277	470	–	23,436
Credited to equity	–	(2,516)	–	–	(2,516)
Charged/(credited) to profit or loss	381	293	(262)	–	412
Currency realignment	–	(333)	–	–	(333)
At 30 June 2017 and 1 July 2017	70	20,721	208	–	20,999
Charged/(credited) to profit or loss	329	–	638	(1,180)	(213)
Currency realignment	–	631	–	–	631
At 30 June 2018	399	21,352	846	(1,180)	21,417

At the end of the reporting period, the Group has unused tax losses of \$78,578,000 (2017: \$86,480,000) available for offset against future profits which no deferred tax asset has been recognised due to the unpredictability of future profit streams. During the year, tax losses of \$9,570,000 (2017: \$10,812,000) expired and were no longer available to offset against future profits. Included in unrecognised tax losses of the Group are losses of \$23,071,000 (2017: \$19,993,000), \$5,531,000 (2017: \$118,000) and \$18,701,000 (2017: \$23,264,000) attributable to subsidiaries in the PRC, Thailand and Cambodia respectively, that will gradually expire up to 2023. The unrecognised tax losses relating to subsidiaries in Hong Kong were \$31,275,000 (2017: \$43,105,000) and do not expire under current tax legislation.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was \$24,759,000 (2017: \$26,099,000). No liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.



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24 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 \$'000	2017 \$'000
Financial assets		
Derivative financial instrument – Fair value through profit or loss	2,800	4,313
Loans and receivables (including cash and cash equivalents)	309,392	328,244
	312,192	332,557
Financial liabilities		
Creditors and other payables – Amortised cost	80,794	83,921

(b) Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instrument, debtors, bills receivable, other receivables, creditors and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

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

(1) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 11% (2017: 14%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, while almost 75% (2017: 78%) of purchase costs are not denominated in the group entity's functional currency. The Group does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

(i) Market risk – continued

(1) Currency risk – continued

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

	Assets		Liabilities	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Euro ("EUR")	51	3,808	55	–
Renminbi ("RMB")	25,949	21,179	673	2,176
USD	17,836	34,577	–	–
HK\$	3,013	5,553	46,462	48,329

The above assets and liabilities include outstanding EUR, RMB, USD and HK\$ debtors and creditors and bank balances and cash. In addition, the Group is exposed to currency risk arising from inter-company receivables and payables denominated in Thai Baht ("THB") which is not the functional currency of the borrower entity to which they related. The net inter-company payables amounted to \$23,037,000 (2017: \$32,913,000) as at 30 June 2018.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in functional currency against the relevant foreign currencies. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. The sensitivity analysis includes external receivables and payables and also current accounts with the group entities where the denomination of the current accounts is in a currency other than the functional currency of the relevant group entities. A positive number below indicates an increase in post-tax profit or a decrease in post-tax loss for the year where functional currencies of relevant group entities strengthens 5% (2017: 5%) against the relevant foreign currencies. For a 5% (2017: 5%) weakening of functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

(i) Market risk – continued

(1) Currency risk – continued

Sensitivity analysis – continued

	2018 Change in post-tax profit and retained profits \$'000	2017 Change in post-tax profit and retained profits \$'000
EUR	–	(159)
RMB	(2,733)	(578)
THB	962	1,374

(2) Interest rate risk

As at 30 June 2018 and 2017, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances.

Sensitivity analysis

As at 30 June 2018 and 2017, the management expects interest rate risk will not have a material impact on the Group's operating result. Hence, a sensitivity analysis is not presented.

(ii) Credit risk

As at 30 June 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

In respect of debtors, the Group's exposure to credit risk is influenced mainly by the market demand in the intimate apparel industry and economic conditions in the USA, Europe and New Zealand. At the end of the reporting period, the Group had a certain concentration risk as approximately 93% (2017: 80%) of trade debtors was due from the top five major customers.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

(iii) Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. At 30 June 2018, the Group had undrawn bank borrowing facilities of \$148,850,000 (2017: \$148,850,000).

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 month \$'000	1 to 3 months \$'000	Over 3 months \$'000	Total undiscounted cash flows \$'000	Carrying amount at 30 June \$'000
2018						
<i>Non-derivative financial liabilities</i>						
Creditors and other payables – Amortised cost	–	78,694	2,100	–	80,794	80,794
2017						
<i>Non-derivative financial liabilities</i>						
Creditors and other payables – Amortised cost	–	83,022	865	34	83,921	83,921



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 FINANCIAL INSTRUMENTS – CONTINUED

(c) Fair value

(i) Financial assets measured at fair value

Fair value hierarchy

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

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

Valuation of instruments classified as a Level 3 instrument of the fair value hierarchy is performed by an external qualified appraiser. A valuation report with analysis of changes in fair value measurement is prepared by the appraiser at each interim and annual reporting date, and is reviewed and approved by the management.

Pursuant to the Shareholders' Agreement mentioned in note 15, the Group is entitled the right to exercise its option ("the Exit Option") to require New Horizon to buy out all or part of the issued shares of Charming held by the Group at any time during the period of two years from 1 July 2020 to 30 June 2022. The right is recognised as a derivative financial instrument at fair value through profit or loss. The Group's derivative financial instrument is categorised as a Level 3 valuation.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average
Derivative financial instrument	Monte Carlo model	Discount for lack of marketability	25%
		Weighted average cost of capital ("WACC")	17.3%
		Expected volatility	32.40%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 FINANCIAL INSTRUMENTS – CONTINUED

(c) Fair value – continued

(i) Financial assets measured at fair value – continued

Information about Level 3 fair value measurements – continued

The fair value of the derivative financial instrument is determined in the following two-step process by the Group's external appraiser: (1) the enterprise value of Charming is firstly determined using the discounted cash flows model adjusted for lack of marketability discount and weighted average cost of capital; then, (2) the fair value of the Exit Option is estimated using the Monte Carlo simulation based on the enterprise value determined in (1) and adjusted for expected volatility, which in turn is estimated based on daily stock prices of comparable companies within the industry. The fair value measurement of the derivative financial instrument as a whole is negatively correlated with the WACC, while the fair value of the derivative financial instrument is positively correlated with the discount for lack of marketability and the expected volatility inputs.

As at 30 June 2018, it is estimated that with all other variables held constant, a decrease/increase in:

- Discount for lack of marketability by 5% would have decreased/increased the Group's profit after tax and total comprehensive income by \$755,000/\$757,000;
- Weighted Average Cost of Capital by 3% would have increased/decreased the Group's profit after tax and total comprehensive income by \$880,000/\$509,000; and
- Expected volatility by 10% would have decreased/increased the Group's profit after tax and total comprehensive income by \$755,000/\$1,032,000.

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

	HK\$'000
Derivative financial instrument:	
At 1 July 2016	3,639
Changes in fair value recognised in profit or loss during the year	674
At 30 June 2017	4,313
At 1 July 2017	4,313
Changes in fair value recognised in profit or loss during the year	(1,513)
At 30 June 2018	2,800

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2018 and 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 SHARE CAPITAL AND RESERVES

(a) Authorised and issued share capital

	2018		2017	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Ordinary shares of \$0.50 (2017: \$0.50) each				
<i>Authorised:</i>				
At beginning of the year and the end of the year	300,000,000	150,000	300,000,000	150,000
<i>Issued and fully paid:</i>				
At beginning of the year and the end of the year	215,037,625	107,519	215,037,625	107,519

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

(b) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
At 1 July 2016	107,519	1,499	233	124,802	167,067	401,120
Profit and total comprehensive income for the year	-	-	-	-	678	678
Dividends approved in respect of the previous year (note 10)	-	-	-	-	(10,752)	(10,752)
Dividends declared in respect of the current year (note 10)	-	-	-	-	(10,752)	(10,752)
At 30 June 2017 and 1 July 2017	107,519	1,499	233	124,802	146,241	380,294
Profit and total comprehensive income for the year	-	-	-	-	654	654
Special dividends approved in respect of the previous year (note 10)	-	-	-	-	(10,752)	(10,752)
Dividends declared in respect of the current year (note 10)	-	-	-	-	(10,752)	(10,752)
At 30 June 2018	107,519	1,499	233	124,802	125,391	359,444



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 SHARE CAPITAL AND RESERVES – CONTINUED

(c) Distributability of reserves

At 30 June 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was \$250,193,000 (2017: \$271,043,000).

26 SHARE OPTION SCHEME

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

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the Adoption Date, being 107,518,812 shares. Following the share consolidation (on the basis of every five issued and unissued shares of \$0.10 each consolidated into one share of \$0.50 each in the capital of the Company) which became effective on 23 May 2014, the total number of shares which may be issued on exercise of the options which may be granted under the Scheme shall not exceed 21,503,762 shares. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or independent non-executive directors in any 12-month period in excess of 0.1% of the Company’s issued share capital and with a value in excess of \$5 million on the date of offer must be approved in advance by the Company’s independent shareholders.

Options granted must be taken up within 14 days of the date of offer, upon payment of \$1 per grant. Options may generally be exercised at any time from the second anniversary of the date of acceptance to the tenth anniversary of the date of acceptance or may at the Board’s discretion determine the specific exercise period. The exercise price is determined by the Board, and will not be less than the highest of the closing price of the Company’s shares on the date of offer and the average closing price of the shares for the five business days immediately preceding the date of offer and the nominal value of the Company’s shares.

During the years ended 30 June 2018 and 2017, no share options of the Company were held by the Directors or anyone else under the Scheme, and no share options were granted, exercised, cancelled or lapsed under the Scheme.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

	2018 \$'000	2017 \$'000
Within one year	15,801	15,837
In the second to fifth year inclusive	18,062	26,611
Over five years	1,062	1,911
	34,925	44,359

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

(b) The Group as lessor

Property rental income earned during the year was \$3,641,000 (2017: \$3,999,000). All of the properties held have committed tenants for the next 1 to 5 years.

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

	2018 \$'000	2017 \$'000
Within one year	3,126	3,458
In the second to fifth year inclusive	11,356	2,578
Over five years	313	–
	14,795	6,036



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 RELATED PARTY TRANSACTIONS/BALANCES

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions:

(a) Transactions with related companies

	2018 \$'000	2017 \$'000
Sales of goods to a related party	103,940	105,567

During the year, the Group processed supplied materials and delivered the finished products to a related company, Van de Velde N.V. ("VdV") for revenue of approximately \$103,940,000 (2017: \$105,567,000).

Mr. Herman Van de Velde, a non-executive director of the Company, has a beneficial interest in VdV, which held an interest of 25.66% (2017: 25.66%) in the Company as at 30 June 2018.

As at 30 June 2018, the balance of trade receivables from VdV amounted to \$5,091,000 (2017: \$4,796,000) which are aged less than 30 days.

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

(b) Compensation of key management personnel

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

	2018 \$'000	2017 \$'000
Salaries and other benefits	20,683	16,631
Retirement benefits scheme contributions	135	126
	20,818	16,757

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

29 CAPITAL RISK MANAGEMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2018 are as follows:

Name of company	Place of incorporation/ registration	Issued share capital/ registered capital	Proportion of issued ordinary share capital/ registered capital held directly/indirectly by the Company %	Principal activities
Foshan Nanhai Top Form Underwear Co., Ltd. [#] 佛山市南海黛麗斯內衣有限公司	The PRC	Capital contribution — \$20,800,000	100	Manufacture of ladies' underwear
佛山市南海漫多姿內衣有限公司 [#]	The PRC	Capital contribution — US\$500,000	100	Manufacture of ladies' underwear
Grand Gain Industrial Limited 建盈實業有限公司	Hong Kong	Ordinary — \$100,000	60	Moulding and laminating business
Long Nan Grand Gain Underwear Co., Ltd. [#] 龍南縣建盈內衣有限公司	The PRC	Capital contribution — US\$1,800,000	60	Moulding and laminating business
Long Nan County Top Form Underwear Co., Ltd. [#] 龍南縣黛麗斯內衣有限公司	The PRC	Capital contribution — \$57,000,000	100	Manufacture of ladies' underwear
Shenzhen Top Form Underwear Co., Limited [^] 深圳黛麗斯內衣有限公司	The PRC	Capital contribution — RMB4,993,000	70	Property investment and provision of consultancy services in relation to ladies intimate apparel and accessories
Top Form Brassiere Mfg. Co., Limited 黛麗斯胸圍製造廠有限公司	Hong Kong	Ordinary — \$100 Deferred — \$4,000,000	100	Manufacture and trading of ladies' underwear
Top Form (B.V.I.) Limited*	British Virgin Islands	Ordinary — US\$50,000	100	Investment holding
Top Form Brassiere (Maesot) Co., Ltd	Thailand	Ordinary — Baht56,000,000	100	Manufacture of ladies' underwear
Topfull Development Limited 統富發展有限公司	Hong Kong	Ordinary — \$2	100	Property holding in the PRC
Unique Form Manufacturing Company Limited 特麗儂內衣製造廠有限公司	Hong Kong	Ordinary — \$1,000 Deferred — \$200	100	Trading of ladies' underwear
Xinfeng County Grand Gain Underwear Co., Ltd. [#] 信豐縣建盈內衣有限公司	The PRC	Capital contribution — US\$500,000	100	Manufacture of ladies' underwear
Top Form (Cambodia) Company Limited	Cambodia	Ordinary — US\$1,000,000	100	Manufacture of ladies' underwear

* Directly held by the Company

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 PRINCIPAL SUBSIDIARIES – CONTINUED

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

Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣有限公司 ("SZTF") is a joint venture company established in the PRC and was originally held for a period of twelve years from 28 February 1987. The Group entered into extension agreements with the joint venture partner on 18 September 1998, 12 November 2008, 27 June 2011, 6 February 2015 and 28 February 2017 to extend the joint venture period for future years to 28 February 2009, 28 February 2012, 28 February 2015, 28 February 2017 and 28 February 2022 respectively. Pursuant to the joint venture agreement and the revised joint venture agreement under which the joint venture was established, the Group contributed 70% of the registered capital of SZTF. However, under another agreement entered into between the Group and the joint venture partner, the Group is entitled to 100% of this joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the joint venture partner. The Group is entitled to receive its attributable share of the net assets upon liquidation of the joint venture, and so this joint venture is being accounted for as a subsidiary of the Group.

As at 30 June 2018, for Top Form Brassiere Mfg. Co., Limited and Unique Form Manufacturing Company Limited, the deferred shares carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies. On winding-up, the holders of the deferred shares are entitled to one half of the remaining assets of the respective companies after the first \$100 trillion has been distributed equally amongst the holders of the ordinary shares.

None of the subsidiaries had any debt securities subsisting as at 30 June 2018 or at any time during the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Interests in subsidiaries		871,495	871,495
Current assets			
Other receivables		147	146
Bank balances		94	406
		241	552
Current liabilities			
Creditors and accrued charges		2,084	2,722
Current tax payable		165	94
		2,249	2,816
Net current liabilities		(2,008)	(2,264)
Total assets less current liabilities		869,487	869,231
Non-current liabilities			
Amount due to a subsidiary		510,043	488,937
		359,444	380,294
Capital and reserves			
	25(b)		
Share capital		107,519	107,519
Reserves		251,925	272,775
		359,444	380,294

Approved and authorised for issue by the board of directors on 24 August 2018.

Wong Chung Chong
Chairman

Wong Kai Chi, Kenneth
Managing Director



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
Amendments to HKFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
Amendments to HKAS 40, <i>Investment property: Transfers of investment property</i>	1 January 2018
HK(IFRIC) 22, <i>Foreign currency transactions and advance consideration</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019
HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2018 – CONTINUED

HKFRS 9, Financial instruments – continued

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI).

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses. Based on a preliminary assessment, the Group anticipates that the adoption of HKFRS 9 would not have material impact on the results and financial position of the Group.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which may be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(c). Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2018 – CONTINUED

HKFRS 15, Revenue from contracts with customers – continued

(a) Timing of revenue recognition – continued

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from sale of goods.

(b) Sales with a right of return

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return.

However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

HKFRS 16, Leases

As disclosed in note 2(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2018 – CONTINUED

HKFRS 16, Leases – continued

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 27(a), at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to \$34,925,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.



SUMMARY OF GROUP PROPERTIES

INVESTMENT PROPERTIES

Location	Existing use	Term of lease
Levels 6 to 8 of Block 523, Bagualing Industrial Zone, Futian District, Shenzhen City, Guangdong Province, the PRC (note 1)	Industrial	Medium
Twenty units on Level 1 of Bagualing Single Apartment Block 29 (Type B), Bagua 2nd Road, Futian District, Shenzhen City, Guangdong Province, the PRC (note 1)	Residential	Medium
Portion A on Level 6 (twelve units on the west) of Pengji Single Apartment Block 44, Bagualing Industrial Zone, Futian District, Shenzhen City, Guangdong Province, the PRC (note 2)	Residential	Medium
Level 4 of Block 424, Bagualing Industrial Zone, Bagua 3rd Road, Futian District, Shenzhen City, Guangdong Province, the PRC (note 3)	Industrial	Medium

Notes:

1. The properties were held for investment purposes at each of the seven years ended 30 June 2018.
2. The property was held for investment purposes at each of the six years ended 30 June 2018.
3. The property was held for investment purposes at each of the five years ended 30 June 2018.



FIVE YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000
Year ended 30 June					
Revenue	1,131,696	1,170,468	1,179,025	1,126,008	1,281,021
Profit before tax	45,873	42,127	39,944	8,451	15,082
Income tax expense	(6,569)	(6,219)	(5,660)	(2,473)	(2,735)
Profit for the year	39,304	35,908	34,284	5,978	12,347
Attributable to:					
— Owners of the Company	37,026	34,178	32,298	5,397	12,869
— Non-controlling interests	2,278	1,730	1,986	581	(522)
	39,304	35,908	34,284	5,978	12,347

ASSETS AND LIABILITIES

	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000
At 30 June					
Total assets	731,687	762,159	716,097	721,698	715,058
Total liabilities	(154,027)	(183,186)	(147,264)	(165,798)	(162,596)
	577,660	578,973	568,833	555,900	552,462
Equity attributable to:					
— Owners of the Company	556,955	558,526	557,718	546,020	543,017
— Non-controlling interests	20,705	20,447	11,115	9,880	9,445
	577,660	578,973	568,833	555,900	552,462



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