ANNUAL REPORT 2014

HG · 锦艺纺

錦藝紡織科技國際有限公司

ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 565)

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Chen Jinyan *(Chairman)*
Mr. Chen Dong *(Chief Executive Officer)*
Mr. Chen Jinqing
Mr. Lin Ye*
Mr. Yang Zeqiang*
Ms. Yau Lai Ying*

* Independent Non-executive Director

COMPANY SECRETARY

Ms. Yeow Mee Mooi

AUDITOR

Dominic K.F. Chan & Co.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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China Merchants Tower
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REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1 – 1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1 – 1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Ping An Bank
China Everbright Bank
Fujian Haixia Bank

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(Stock code: 565)

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Art Textile Technology International Company Limited (錦藝紡織科技國際有限公司) ("Art Textile" or the "Company") and its subsidiaries (together, the "Group"), I am pleased to report that the Group recorded a turnover of HK$492,939,000 (2013: HK$1,430,025,000) and a profit for the year of HK$15,402,000 (2013: HK$121,873,000).

BUSINESS REVIEW

The Group produces high quality and extensive varieties of garment fabrics for making down wear, sportswear, household products and men's and women's fashion by state-of-the-art dyeing machinery and equipment installed at the plant in Changle city of Fujian Province of the People's Republic of China (the "PRC"). With the strengths in advanced research and development technology, skillful workforce and thorough sales distribution channels, the Group is then able to maintain its production capacity, enhance its market position and profitability, closely monitor its quality control and production costs and shorten the production cycle. The Group also tried to diversify its operations into different businesses during the current year and resources have been placed into trading of textile materials and real estate aspects in order to explore future prospects and develop the relevant markets.

Textile products segment included sales of garment fabrics and trading of textile materials. Turnover of garment fabrics reduced in certain extent when compared with that in 2013. The decrease was because of the falling market demand by overseas apparel end consumers in view of the continuous downturn of the economies in Europe and America and fewer purchase orders were placed with the PRC garment fabric manufacturers. The results for textile products decreased were also due to depressed market demand by local customers, higher raw material costs and labour charges and a general rise of operating expenses arising from inflation incurred during the current year. In view of expected upward trend of selling prices, simple trading procedures and no manufacturing process needed to be carried out, trading of textile materials commenced before the end of this financial year. An enormous decrease in its turnover was incurred when compared with that in 2013 due to its short operation period for the year ended 30 June 2014.

Real estate segment was at the very preliminary stage and only limited expenditure was incurred during the current year. Real estate segment was explored because of increasing population and consuming power in the PRC and a strong market potential is foreseeable.

Nevertheless, by leveraging on its established strengths, experience and foresight, Art Textile continues to grasp opportunities to increase its market demand by improving the quality of existing products and developing new products, to explore new markets through reinforcement of sales and marketing team and participation in textile fairs and to increase profit margin by applying stringent cost control policy. These positive outcome will be steadily reflected in future results.

STRATEGIES AND OUTLOOK

In response to the ongoing challenges, the Group has been focused on maintaining sustainable financial results from its sales of garment fabrics for the year ended 30 June 2014 so as to obtain more profitable outcome. The Board gives its input in determining the Group's strategy development and planning process, as well as the generation and preservation of the Group's long-term value. Consequently, the Board closely monitors and regularly reviews the results of the implementation of the strategies, with the goals of reviving the Group's performance, enhancing its competitiveness and improving shareholder value.

CHAIRMAN'S STATEMENT

Armed with close connection with its distribution agents and customers as well as the operation of the sales outlets in major textile markets in the PRC, the Group maintains its well-established distribution network by strengthening present sales and marketing team in order to further promote the Group's products and boost customer loyalty to the brand name of " ". In line with the Group's efforts in expanding overseas markets, the Group promotes and sells its products to overseas customers through participation in various textile fairs and exhibitions.

Apart from engaging in the production of fashionable apparel targeting at mid-to-high-end market by state-of-the-art dyeing machinery and equipment, the Group continues to devote in the research and development of new products in order to meet the ever-changing needs and development trend of the textile and garment markets. The Group has endeavored to capture this opportunity to increase its market share by constantly researching and developing a series of functional garment fabrics for using in different occasions.

The Group continues with careful cost management to attain greater efficiency in operations and a healthy financial position in order to pursue business development and new opportunities for strengthening its business momentum. The Group holds a sound financial position and its business is continuing to contribute strong cash flows. The Group maintains its long-standing commitment to a prudent and cautious financial management policy, and is confident of increasing shareholder value in long run as its sale of garment fabrics retain hard-bitten from the current adversities.

In order to prevent pollution to the environment through fabric dyeing, the Group places significant emphasis on environmental protection and operates a self-owned sewage treatment station at the plant in Changle city to treat and recycle sewage generated throughout the production process. The sewage treatment station has already been approved by relevant environmental protection authorities. The Group has not breached the relevant environmental protection laws and regulations since its establishment.

Looking forward, the Group is expected to maintain a steady business growth in the future. We will conserve growth through vertical integration and by cooperating with business partners. We will continue to organise resources to set up new and modern machinery, reinforce the product development team, increase the variety of products through cutting-edge research and development technology, boost market promotion and swell distribution network in the PRC and overseas markets. We will also attempt to seek any appropriate real estate projects to diversify our business in order to magnify the Company's development potential and the shareholders' return.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to present my heartfelt thanks to the customers, suppliers, bankers, business partners and shareholders of the Company for their continuous support and trust and also to each staff member of the Group for their diligent work. The achievement of the Group would not be possible without the contribution of each of the staff member and their dedication.

Chen Jinyan
Chairman

Hong Kong, 26 September 2014

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

The Group is principally engaged in the manufacture and sale of garment fabrics targeting at mid-to-high-end markets both in the PRC and overseas during the current year. The Group has vertically integrated its production process to include research and development, grey fabric trial weaving, garment fabric dyeing and setting, cloth finishing such as pattern pressing and calendaring. The Group's garment fabrics are used for manufacturing down wear, sportswear, household products such as sofas and curtains and men's and women's fashion. For the purpose of maintaining steady supply and better quality control of grey fabrics for the dyeing process, the Group designates some suppliers to produce these fabrics based on the samples researched and developed by it, which in turn broadens the varieties of down wear, sportswear and household products with different nature and consequently, enhances the market demand for these products and therefore the Group's products. Furthermore, the Group attempts to diversify its businesses during the current year and resources have been placed into trading of textile materials and real estate aspects in order to explore future prospects and develop the relevant markets.

In the end of December 2012, the Group disposed of a few subsidiaries principally engaged in the manufacture and sale of cotton and yarn (the "Disposal Group") due to significant losses incurred by them in the past few years as a result of gradual fierce involvement of the PRC government in the cotton market to safeguard the interests of local cotton farmers and the stringent restriction of imported cotton quota to minimise the supply of overseas cotton with lower selling prices into the PRC. As a result, the Group as a whole was affected by the broad fluctuation of cotton prices and the increase in raw material costs consequently reduced its total profits. In addition, the yarn market in the PRC remained weak in the past few years and market demand decreased which in turn significantly and continuously reduced the yarn production volumes of the Disposal Group when compared with that at the time of its acquisition. Furthermore, fixed production costs, such as salary and wages and depreciation costs, increased cost of production per ton have negatively affected the gross profit margin of the Group. The Group therefore disposed of the cotton and yarn businesses in order to focus more on other profitable businesses, for its long term advantage.

To implement the Group's plan in expanding the sales markets, the Group would participate in both local and overseas textile trade fairs so as to promote and sell its products to more customers.

TURNOVER

For the financial year ended 30 June 2014, the Group recorded a turnover of approximately HK$492,939,000 (2013: HK$1,430,025,000), approximately 65.5% less than that in 2013. The decrease in turnover was principally attributable to significant decrease in turnover of textile products, including garment fabrics and textile materials during the current year due to the disposal of the Disposal Group in the end of December 2012 as a result of its continuous gloomy business environment in the future, as well as its sales reduced significantly in line with the drop in sales volume of cotton and production volume of yarn as a consequence of weak markets and shrinkage of apparel demand from overseas end consumers. During the current year, the decrease in turnover of garment fabrics was because of the falling market demand by local customers and overseas apparel end consumers. The former was due to instabilities of the PRC economy and the latter was attributable to the continuous downturn of the economies in Europe and America and therefore fewer purchase orders were placed with the PRC garment fabric manufacturers. The enormous decrease in turnover of textile materials was due to the commencement of its trading just before the end of this financial year in view of its expected upward trend of selling prices, simple trading procedures and no manufacturing process needed to be carried out.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

The gross profit margin of the Group was approximately 18.0% for the year ended 30 June 2014, which compared with that for the year ended 30 June 2013 of approximately 11.8%. The significant increase was due to the disposal of the Disposal Group in the end of December 2012, which in turn, released heavy burden on total cost of sales. The Disposal Group incurred substantial raw material costs for the year ended 30 June 2013 owing to cotton cost control policies and restriction on import quota of low-priced overseas cotton implemented by the PRC government for the privileges of local cotton farmers. On the other hand, though there were higher raw material costs and labour charges for the sales of garment fabrics during the current year, the benefits of the disposal of the unprofitable segments far outweighed the costs, which eventually increased the gross profit margin to certain extent.

PROFIT FOR THE YEAR

The Group's profit for the current year decreased significantly from the Group's profit for the year ended 30 June 2013. The Group's profit was approximately HK$15,402,000 (2013: HK$121,873,000). The decrease was principally due to the gain on disposal of the Disposal Group, of approximately HK$92,484,000, with its principal activities in the manufacture and sale of cotton and yarn which was disposed of in the end of December 2012 as a consequence of their significant amount of losses incurred and accumulated in the past few years and simultaneously lowered the aggregate profit and earnings of the Group. The net profit margin decreased from approximately 8.5% in 2013 to 3.1% for the year ended 30 June 2014 and such decrease was principally due to no gain on disposal of the Disposal Group and with expenses arising from share-based payment transactions incurred as a consequence of the grant of 104,000,000 share options during the current year.

For the year ended 30 June 2014, the result of textile products segment dropped significantly mainly due to the falling market demand by local customers and overseas apparel end consumers. The former was due to economic instabilities in the PRC and the latter was attributable to the continuous downturn of the economies in Europe and America and fewer purchase orders were placed with the PRC manufacturers. Higher raw material costs and labour charges with a general rise of operating expenses arising from inflation also contributed to the reduction. Real estate segment was at the very preliminary stage and only limited expenditure was incurred during the current year. The real estate segment was explored because of increasing population and consuming power in the PRC and a strong market potential is foreseeable.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

The Group's other income for the financial year ended 30 June 2014 was approximately HK$5,586,000 (2013: HK$9,459,000), which was approximately 40.9% less than that in 2013. Such decrease was attributable to a decrease in the balance of bank deposits throughout the current year as a result of the disposal of the Disposal Group in the end of December 2012.

EXPENSES

Administrative expenses amounted to approximately HK$35,303,000 (2013: HK$41,539,000), representing approximately 7.2% (2013: 2.9%) of turnover for the year ended 30 June 2014. Administrative expenses decreased by approximately 15.0% when compared with that of 2013 because no operation costs incurred throughout the current year by the Disposal Group as a consequence of its disposal in the end of December 2012, but there were expenses arising from share-based payment transactions as a result of the grant of 104,000,000 share options during the current year.

Selling and distribution costs amounted to approximately HK$16,909,000 (2013: HK$22,739,000), representing approximately 3.4% (2013: 1.6%) of turnover for the year ended 30 June 2014. Selling and distribution costs decreased by approximately 25.6% compared to those for the year ended 30 June 2013, which was due to no significant delivery charges and promotional expenses spent as a result of the disposal of the Disposal Group in the end of December 2012.

Other expenses amounted to approximately HK$3,232,000 (2013: HK$3,142,000), representing approximately 0.7% (2013: 0.2%) of turnover for the year ended 30 June 2014 and remained steady when compared with the corresponding year in 2013.

Gain on disposal of subsidiaries amounted to approximately HK$92,484,000, representing approximately 6.5% of the turnover for the year ended 30 June 2013. This was attributable to the disposal of net liabilities and cumulative exchange differences of a few subsidiaries deducted from the consideration of their disposal.

Finance costs amounted to approximately HK$7,532,000 (2013: HK$45,452,000), representing approximately 1.5% (2013: 3.2%) of turnover for the year ended 30 June 2014. The substantial decrease was due to fewer bank loans and bills undertaken by the Group during the current year as a consequence of the disposal of the Disposal Group in the end of December 2012.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS AND PROSPECTS

The Group's current strategy and business plan is to place resources on the profitable garment fabrics sales, through sustaining efforts in research and development of new products and improvement of existing products, to maintain good and close relationship with distribution agents and valuable customers, to strengthen its current sales and marketing teams in major textile sales outlets in the PRC and to manufacture extensive varieties of garment fabrics by the Group's existing state-of-the-art dyeing machinery and equipment. The Group will continue to designate certain suppliers to weave grey fabrics based on the samples researched and developed by it in order to ensure a steady supply and better quality control for the dyeing process. In addition, a new and comprehensive research and development centre is built and in use during the current year. Wide-ranging and different kinds of garment fabrics will be explored and innovated for the purposes of product competitiveness, market expansion and profit upsurge in future. By leveraging on the above strategies and its established strengths, experience and foresight, the Group will continue to seize opportunities to meet the needs of dynamic textile and garment markets, explore new markets and increase profit margin.

The future development of the textile industry in the PRC is still expected to face significant challenges and uncertainties in the business environment, such as fluctuation in raw material costs, lower labour costs in nearby countries, such as Vietnam, India and Cambodia, intensifying international trade protectionism, continuous economic depression in Europe and America and unpredictable inflation. In view of the continuous downturn of the economies in Europe and America, the Group will focus more on local market and other overseas markets, such as the Middle East. Furthermore, the Group has implemented conservative and stringent cost control policies in order to ensure sufficient working capital by imposing control over capital expenditure, enhancing inventory management and strengthening accounts receivable management.

Looking forward, the Group will continue to set up new and modern machinery, reinforce the product development team, increase product mix, increase market promotion and distribution network in the PRC and overseas markets. The Group will also place additional resources to seek opportunities in the development of real estate market. The business growth of the Group is expected to accelerate and accordingly, the positive outcome will be gradually reflected in the future with the recovery of the worldwide economy. Moreover, the Group will continue to capture opportunities for expansion and diversify its business for long term development in order to maximize the values of the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had net current assets and total assets less current liabilities of approximately HK$987,662,000 (2013: HK$940,252,000) and HK$1,097,517,000 (2013: HK$1,054,901,000), respectively. The Group maintains a sound financial position by financing its operations with internally generated resources, bond, bills and bank loans. As at 30 June 2014, the Group had cash and bank deposits of approximately HK$765,975,000 (2013: HK$1,139,568,000). The current ratio of the Group was approximately 795.0% (2013: 421.6%).

Shareholders' fund of the Group as at 30 June 2014 was approximately HK$1,076,940,000 (2013: HK$1,046,058,000). As at 30 June 2014, the total bank borrowings of the Group, repayable within 12 months from the end of the reporting period, denominated in RMB45,000,000 were equivalent to HK$56,962,000 (2013: HK$130,696,000) and a bond measured at amortised cost was HK$9,769,000 (2013: Nil). As at 30 June 2014, the gross debt gearing ratio (i.e. total borrowings and bond/shareholders' fund) was approximately 6.2% (2013: 12.5%).

The Group has maintained and will continue to maintain significant amount of working capital on hand in order to maintain a healthy financial position, and adequate resources are expected to be generated from its business operations in meeting its short term and long term obligations.

FINANCING

As at 30 June 2014, the total banking facilities of the Group amounted to approximately HK$94,937,000 (2013: HK$219,304,000), of which, approximately HK$82,278,000 (2013: HK$185,557,000) was utilized. In addition, a bond amounted to approximately HK$9,769,000 (2013: Nil), measured at amortised cost, was arranged with an independent third party during the current year.

The Board believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable term.

CAPITAL STRUCTURE

As at 30 June 2014, the share capital of the Company comprises ordinary shares only.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the current year, the Group was not subject to any significant exposure to foreign exchange rate risk as the majority of its transactions were denominated in RMB. Hence, no financial instrument for hedging was employed.

The Board monitors interest rate change exposure and may consider a hedging policy should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP'S ASSETS

As at 30 June 2014, certain leasehold land and buildings of the Group with aggregate carrying value of approximately HK$49,294,000 (2013: HK$36,100,000) was pledged to banks to secure banking facilities granted to the Group, together with the bank deposits of the Group of approximately HK$25,316,000 (2013: HK$48,087,000).

As at 30 June 2013, certain plant and machinery with aggregate carrying value of approximately HK$33,372,000 was pledged to banks to secure banking facilities granted to the Group.

CAPITAL EXPENDITURE

During the year ended 30 June 2014, the Group invested approximately HK$19,195,000 (2013: HK$26,714,000) in property, plant and equipment, of which 96.5% (2013: 15.0%) was used for purchase of plant and machinery, 3.5% (2013: 79.9%) for construction of auxiliary facilities, but no purchase of other property, plant and equipment (2013: 5.1%).

As at 30 June 2014, the Group had capital commitments of approximately HK$7,716,000 (2013: HK$1,949,000) in property, plant and equipment. The capital commitments for the year ended 30 June 2013 were funded by internally generated resources and bank loans.

STAFF POLICY

The Group had 423 employees altogether in the PRC and Hong Kong as at 30 June 2014. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are required to make respective contribution to fund the endowment insurance, unemployment insurance, medical insurance, housing provident fund and employees' compensation insurance at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

The Group also provides periodic internal training to its employees.

Three independent non-executive directors are appointed for a term of 1 year commencing from either 19 September or 15 October each year.

CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chen Jinyan（陳錦艷）, aged 45, is the Chairman of the Company and is responsible for the Group's operation and product development. Mr. Chen has over 23 years of experience in the textile industry. Mr. Chen obtained a Diploma in the Design of Textile Products from the Textile Engineering Faculty of Jiangxi Textile Industry Academy（江西紡織工業學院）. He is the elder brother of Mr. Chen Dong and Mr. Chen Jinqing. He is the vice president and authorized representative of Textile Engineering Society of Fujian Province（福建省紡織工程學會）since 2006.

Mr. Chen Dong（陳錦東）, aged 43, is a Chief Executive Officer of the Company responsible for administration and finance of the Group. Mr. Chen has over 20 years of experience in the textile industry. Mr. Chen obtained a Diploma in Industrial and Financial Accounting from Fuzhou Industrial Academy（福州工業學院）. He is the younger brother of Mr. Chen Jinyan and the elder brother of Mr. Chen Jinqing.

Mr. Chen Jinqing（陳錦慶）, aged 38, is an Executive Director responsible for sales and marketing of the Group, especially promoting the Group's new products into local and overseas markets by further establishing the Group's distribution network. Mr. Chen has over 20 years of experience in the textile industry. He is the younger brother of both Mr. Chen Jinyan and Mr. Chen Dong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lin Ye（林野）, aged 60, is appointed as an Independent Non-executive Director since October 2013. Mr. Lin is the Vice General Manager of Zhengzhou Yi Mian Textile Company Limited ("Yi Mian")（鄭州一棉有限責任公司）and is responsible for administration works since 2004. Mr. Lin was the team leader, the assistant supervisor and the vice-supervisor of product development centre of Yi Mian（鄭州一棉有限責任公司）from 1976 to 1998, respectively. Mr. Lin was the supervisor of the branch factory of Yi Mian（鄭州一棉有限責任公司）from 1998 to 2004.

Mr. Yang Zeqiang（楊澤強）, aged 44, is appointed as an Independent Non-executive Director since September 2012. Mr. Yang obtained a Diploma in Accounting and a Bachelor's degree in Accounting from the Zhongyuan University of Technology（中原工學院）(formerly known as the Zhengzhou Textile Institute（鄭州紡織工學院）) in 1992 and 2005, respectively. Mr. Yang is currently the financial controller of Zhengzhou Han Yuan Zhi Ye Company Limited（鄭州翰園置業有限公司）.

Ms. Yau Lai Ying（邱麗英）, aged 44, is appointed as an Independent Non-executive Director since October 2013. Ms. Yau graduated from the University of Sydney in Australia with a Master degree in Accounting with Commercial Law. Ms. Yau is a Certified Public Accountant (Practising) and a fellow of the Hong Kong Institute of Certified Public Accountants as well as a Certified Practising Accountant of CPA Australia. Ms. Yau was the lecturer of School of Professional and Continuing Education of the University of Hong Kong. Ms. Yau has over 10 years of experience in auditing, accounting and business advisory services.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries at 30 June 2014 are set out in note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

The directors do not recommend the payment of a final dividend for the year ended 30 June 2014 (2013: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 86 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, construction in progress of HK$26,528,000 (2013: HK$2,213,000) was completed and transferred to buildings, plant and machinery, leasehold improvements, and furniture, fixtures, office equipment and motor vehicles. Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 30 June 2014 comprised the retained profits of HK$11,394,000 (2013: HK$12,435,000). Details of movements in reserves and changes in equity of the Company during the year are set out in note 31 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive directors:
Mr. Chen Jinyan
Mr. Chen Dong
Mr. Chen Jinqing

Independent non-executive directors:

Mr. Lin Ye	(appointed on 15 October 2013)
Mr. Yang Zeqiang	
Ms. Yau Lai Ying	(appointed on 15 October 2013)
Mr. Lo Kin Chung	(resigned on 15 October 2013)
Mr. Yu Zhongming	(resigned on 15 October 2013)

In accordance with Articles 86 and 87 of the Articles of Association of the Company, Messrs. Chen Dong and Yang Zeqiang retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Chen Dong was re-appointed by the board of directors on 1 September 2014 to continue to act as an executive director of the Company for a term of one year after the expiration of his service agreement on 31 August 2014. Mr. Chen Jinqing was re-appointed by the board of directors on 1 February 2014 to act as an executive director of the Company for a term of one year until the expiration of his service agreement on 31 January 2015. The service agreement for Mr. Chen Jinyan expired on 31 August 2013 and he was re-appointed by the board of directors on 1 September 2013 to continue to act as an executive director of the Company for a term of two years. All of the above service agreements can be terminated by either party by giving three months' prior written notice.

Each of the independent non-executive directors entered into service agreements with the Company for a term of one year and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of two months in writing before its expiration.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2014, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

(a) Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chen Dong	Held by spouse *(Note 1)*	162,170,000	15.58%
Mr. Chen Jinyan	Held by controlled corporation *(Note 2)*	296,740,000	28.52%
Mr. Chen Jinqing	Held by controlled corporation *(Note 3)*	83,000,000	7.98%

Notes:

(1) The shares are held by Jinjie Limited, a company incorporated in the British Virgin Islands (the "BVI"), the entire issued share capital of which is beneficially owned by the spouse of Mr. Chen Dong, Ms. Lin Lin. Mr. Chen Dong is deemed to be interested in 162,170,000 shares of the Company.

(2) The shares are held by Fully Chain Limited ("Fully Chain"), a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinyan. Mr. Chen Dong is the younger brother of Mr. Chen Jinyan.

(3) The shares are held by Ultimate Name Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinqing. Mr. Chen Jinqing is the youngest brother of Mr. Chen Jinyan and Mr. Chen Dong. All three of them are executive directors.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

Long positions *(Continued)*

(b) Share options

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Chen Jinyan	Beneficial owner	1,900,000	1,900,000
Mr. Chen Jinqing	Held by spouse *(Note)*	2,400,000	2,400,000
Mr. Lin Ye	Beneficial owner	1,040,000	1,040,000
Mr. Yang Zeqiang	Beneficial owner	1,040,000	1,040,000
Ms. Yau Lai Ying	Beneficial owner	1,040,000	1,040,000

Note: Mr. Chen Jinqing, the youngest brother of Mr. Chen Jinyan and Mr. Chen Dong, is deemed to be interested in 2,400,000 options to acquire shares of the Company, being the interest held beneficially by his spouse.

Other than as disclosed above, none of the directors, chief executives or their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 30 June 2014.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share options" above, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The remuneration committee makes recommendations to the board on the remuneration and other benefits paid by the Company to the directors. The remuneration of all directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the directors' remuneration are set out in note 12 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions – Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lin Lin	Beneficial owner and interest in a controlled corporation	162,170,000	15.58%
Cheung Pui Lam	Beneficial owner and interest in a controlled corporation	103,840,000	9.97%
Dresdner VPV N. V.	Investment manager	69,877,600	6.72%

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2014.

SHARE OPTIONS

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

The following table disclosed movements in the Company's share options during the year:

Grantee	Date of grant	Exercise period	Exercise price HK$	Outstanding at 1.7.2013	Granted during the year	Exercised during the year	Outstanding at 30.6.2014
Directors							
Mr. Chen Jinyan	10.7.2008	1.8.2008 to 31.7.2018	0.358	1,900,000	–	–	1,900,000
Mr. Chen Jinqing	10.7.2008	1.8.2008 to 31.7.2018	0.358	2,400,000	–	–	2,400,000
Mr. Lin Ye	22.5.2014	22.5.2014 to 21.5.2024	0.331	–	1,040,000	–	1,040,000
Mr. Yang Zeqiang	22.5.2014	22.5.2014 to 21.5.2024	0.331	–	1,040,000	–	1,040,000
Ms. Yau Lai Ying	22.5.2014	22.5.2014 to 21.5.2024	0.331	–	1,040,000	–	1,040,000
				4,300,000	3,120,000	–	7,420,000
Employees	10.7.2008	1.8.2008 to 31.7.2018	0.358	14,300,000	–	–	14,300,000
	22.5.2014	22.5.2014 to 21.5.2024	0.331	–	100,880,000	–	100,880,000
				14,300,000	100,880,000	–	115,180,000
Granted Total				18,600,000	104,000,000	–	122,600,000

Note: Mr. Chen Jinqing is deemed to be interested in 2,400,000 share options granted to his spouse on 10 July 2008, to subscribe for 2,400,000 shares which may be exercised between 1 August 2008 and 31 July 2018 (both days inclusive) at an exercise price of HK$0.358 per share.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers that all of the independent non-executive directors are independent.

CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 29 to the consolidated financial statements does not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. No disclosure requirement is needed accordingly.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 43% (2013: 54%) of the Group's total sales and the sales attributable to the Group's largest customer were approximately 13% (2013: 23%) of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 48% (2013: 61%) of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 13% (2013: 27%) of the Group's total purchases.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

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

During the year ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules throughout the year ended 30 June 2014.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Report on Corporate Governance Practices on pages 19 to 28 of this annual report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Dominic K.F. Chan & Co. as auditor of the Company.

On behalf of the Board

Chen Jinyan
CHAIRMAN

Hong Kong
26 September 2014

REPORT ON CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving the best corporate governance practices as a listed company. The corporate governance policy aims to improve the accountability and transparency of the Group by fulfilling high standards and rigorous corporate governance practices. During the year ended 30 June 2014, the Group applied the principles and met the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Group has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company (the "Directors"), all Directors have complied with the code of conduct and the required standard set out in the Model Code throughout the year ended 30 June 2014.

BOARD OF DIRECTORS (THE "BOARD")

During the year under review, the composition of the Board, with at least one-third of which are independent non-executive Directors, was as follows:

Mr. Chen Jinyan	*(Chairman, Executive Director)*
Mr. Chen Dong	*(Chief Executive Officer, Executive Director)*
Mr. Chen Jinqing	*(Executive Director)*
Mr. Lin Ye	*(Independent Non-executive Director) (appointed on 15 October 2013)*
Mr. Yang Zeqiang	*(Independent Non-executive Director)*
Ms. Yau Lai Ying	*(Independent Non-executive Director) (appointed on 15 October 2013)*
Mr. Lo Kin Chung	*(Independent Non-executive Director) (resigned on 15 October 2013)*
Mr. Yu Zhongming	*(Independent Non-executive Director) (resigned on 15 October 2013)*

Each executive Director (the "Executive Director") has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

Each independent non-executive Director (the "Independent Non-executive Director") has confirmed his independence with the Company and the Company considers the Independent Non-executive Directors to be independent under Rule 3.13 of the Listing Rules. Each Independent Non-executive Director was appointed for a term of one year. The Board members have no financial, business or other material/relevant relationships with each other except that Mr. Chen Jinyan is the eldest brother of Mr. Chen Dong and Mr. Chen Jinqing.

The Board has effectively overseen and monitored the activities of the Company and the decisions were made in the best interests of the Company and its shareholders taken as a whole. During the financial year ended 30 June 2014, sixteen Board meetings were held and the attendance of all Directors at the Board meetings was as follows:

REPORT ON CORPORATE GOVERNANCE PRACTICES

BOARD OF DIRECTORS (THE "BOARD") *(Continued)*

Name of Directors	Attendance
Mr. Chen Jinyan	15/16
Mr. Chen Dong	15/16
Mr. Chen Jinqing	13/16
Mr. Lin Ye *(appointed on 15 October 2013) (Note 1)*	8/16
Mr. Yang Zeqiang	14/16
Ms. Yau Lai Ying *(appointed on 15 October 2013) (Note 1)*	8/16
Mr. Lo Kin Chung *(resigned on 15 October 2013) (Note 2)*	6/16
Mr. Yu Zhongming *(resigned on 15 October 2013) (Note 2)*	6/16

Note 1: 9 Board meetings were held during the period from 15 October 2013 to 30 June 2014.

Note 2: 7 Board meetings were held during the period from 1 July to 15 October 2013.

The Board convened the Board meetings in performance of its duties, to consider, approve and review, inter alia,

- the interim review fee for the period ended 31 December 2013 and the annual audit fee for the year ended 30 June 2014;
- declaration, recommendation and payment of interim and final dividends;
- the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function, and their training programmes and budget;
- the appointment and resignation of the Independent Non-executive Director of the Company and relevant qualification and experience;
- publication of interim and annual results announcements;
- the internal control review report of the Company; and
- the adoption of a board diversity policy (the "Diversity Policy").

Directors' training is an ongoing process and its purpose is to improve Directors' knowledge of, and performance in, business operations and compliance matters. During the year, Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense. Moreover, all Directors are required to provide the Company with their respective training records.

OPERATION OF THE BOARD

The principal roles of the Board are to oversee the Company's operation, administration and finance, to design and set corporate policies and development strategies and to implement and monitor the Company's business plans, such as market expansion and product development while the senior management is responsible for execution of the Board's decisions in order to achieve the Company's goals and objectives. The Board has separate and independent access to the senior management for collecting information on operation.

The Board is also responsible for reviewing the effectiveness of the Group's internal control system. An external professional party conducted review of the effectiveness of the Group's system of internal control. The audit committee of the Board reviewed the findings and opinion of the external professional party on the effectiveness of the Group's system of internal control. In respect of the financial year ended 30 June 2014, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed regularly to ensure its effectiveness and sufficiency.

In addition, the Board reviewed the adequacy of the resources, qualifications and experience of staff for the Group's accounting and financial reporting function, and their training programmes and budget. The audit committee also reviewed and was satisfied with the adequacy of the staffing of the financial reporting functions.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for that period. The Directors ensure that the financial statements for the year ended 30 June 2014 were prepared in accordance with statutory requirements and applicable accounting standards. The financial statements were prepared on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. On the other hand, it is the responsibility of the auditor to form an independent opinion on these statements and to report their opinion to the Group.

REPORT ON CORPORATE GOVERNANCE PRACTICES

DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer are segregated in order to ensure a balance of power and authority in the management of the Board and the day-to-day management of the business. The Chairman of the Company is Mr. Chen Jinyan while the Chief Executive Officer is Mr. Chen Dong who is the younger brother of Mr. Chen Jinyan. The duties of the Chairman include:

(a) to ensure all Directors are properly briefed on issues arising at Board meetings;

(b) to ensure all Directors receive adequate information, which must be complete and reliable, in a timely manner;

(c) to ensure appropriate steps have been taken to provide effective communication with shareholders, such as release of website announcements, circulars, interim and annual reports and holding of annual general meeting etc.;

(d) to ensure that good corporate governance practices and procedures are established; and

(e) to conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or other applicable laws, rules and regulations.

The duties of the Chief Executive Officer include:

(a) to be responsible for the day-to-day management of the Group's business;

(b) to be responsible for the performance of the Group and the implementation of the Board's strategy and policies;

(c) to maintain an effective system of internal control;

(d) to ensure that proper financial records and accounts are kept; and

(e) to ensure all applicable laws, rules and regulations and other relevant statements of best practice are complied with.

COMMITTEES OF THE COMPANY

The Board had established the audit committee, remuneration committee and nomination committee and their authorities and duties that stated in specific written terms of reference had been discussed and approved in the Board meeting.

AUDIT COMMITTEE

With specific written terms of reference, the audit committee (the "AC") comprises three members, all being Independent Non-executive Directors, namely, Mr. Lin Ye (appointed on 15 October 2013), Mr. Yang Zeqiang, Ms. Yau Lai Ying (appointed on 15 October 2013), Mr. Lo Kin Chung (resigned on 15 October 2013) and Mr. Yu Zhongming (resigned on 15 October 2013). Mr. Lo Kin Chung is a Certified Public Accountant and was the chairman of the AC up to 15 October 2013. Following the resignation of Mr. Lo Kin Chung as an Independent Non-executive Director and the chairman of AC on 15 October 2013, Ms. Yau Lai Ying, who is a fellow of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia, is the chairman of the AC since 15 October 2013. The AC's terms of reference are posted on the websites of the Company and the Stock Exchange.

The principal role and function of the AC are:

(a) to recommend the Board on the appointment, reappointment and removal of external auditors, as well as to approve the remuneration and terms of engagement of the external auditors;

(b) to monitor the integrity of financial statements of the Group and the annual reports and interim reports;

(c) to review and make recommendations of the Group's financial control, internal control and risk management system;

(d) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system; and

(e) to review the Group's financial and accounting policies and practices.

In addition, the AC has been delegated by the Board to be responsible for performing the corporate governance duties that are listed as follows:

(a) to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;

(b) to perform the Company's corporate governance functions;

(c) to review and monitor the training and continuous professional development of directors and senior management of the Company;

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

(e) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors of the Company; and

(f) to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

REPORT ON CORPORATE GOVERNANCE PRACTICES

AUDIT COMMITTEE *(Continued)*

During the financial year ended 30 June 2014, six AC meetings were held and the attendance of its members was as follows:

Name of members	Attendance
Mr. Lin Ye *(appointed on 15 October 2013) (Note 1)*	3/6
Mr. Yang Zeqiang	6/6
Ms. Yau Lai Ying *(appointed on 15 October 2013) (Note 1)*	3/6
Mr. Lo Kin Chung *(resigned on 15 October 2013) (Note 2)*	3/6
Mr. Yu Zhongming *(resigned on 15 October 2013) (Note 2)*	3/6

Note 1: 3 AC meetings were held during the period from 15 October 2013 to 30 June 2014.

Note 2: 3 AC meetings were held during the period from 1 July to 15 October 2013.

The following is a summary of the work performed by the AC during the year ended 30 June 2014 in discharging its responsibilities and its duties set out in the CG Code:

- reviewed the annual report and interim report, focusing particularly on any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, the going concern assumptions, compliance with accounting standard and compliance with the Listing Rules and the Companies Ordinance;
- assessed the risk environment, reviewed internal control procedure manual of the Group and auditor's findings and opinion on the Group's system of internal control and considered that the internal control system is effective and adequate;
- reviewed the adequacy of the resources, qualifications and experience of staff for the Group's accounting and financial reporting function, and their training programmes and budget and was satisfied with the adequacy;
- reviewed external auditor's significant audit matters;
- considered and approved the annual audit fee and interim review fee; and
- reviewed and monitored the external auditor's independence and engagement to perform non-audit services.

The chairman of the AC reports the findings and recommendations of the AC to the Board after each meeting. The AC had discussed with the auditor regarding the annual audit for the year ended 30 June 2013 and the interim review for the period ended 31 December 2013 before the Board meeting.

The Group's audited consolidated financial statements for the year ended 30 June 2014 have been reviewed by the AC, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

The AC considered that the existing proposed terms in relation to the appointment of the Group's external auditors are fair and reasonable.

REMUNERATION COMMITTEE

With specific written terms of reference, all members of the remuneration committee of the Company (the "RC") are Independent Non-executive Directors, namely, Mr. Lin Ye (appointed on 15 October 2013), Mr. Yang Zeqiang, Ms. Yau Lai Ying (appointed on 15 October 2013), Mr. Lo Kin Chung (resigned on 15 October 2013) and Mr. Yu Zhongming (resigned on 15 October 2013). Mr. Lo Kin Chung was the chairman of the RC up to 15 October 2013. Following the resignation of Mr. Lo Kin Chung as an Independent Non-executive Director and the chairman of RC on 15 October 2013, Ms. Yau Lai Ying is the chairman of RC since 15 October 2013.The RC's terms of reference are posted on the websites of the Company and the Stock Exchange.

The role and function of the RC include making recommendations to the Board on the Company's policy and structure for all remuneration of key executives of the Company, proposing their specific remuneration packages by considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the Company's performance and ensuring that no Director of the Company or any of his associate(s) is involved in deciding his own remuneration. The RC performs an advisory role to the Board, with the Board retaining the final authority to approve key executives' remuneration.

The chairman of the RC reports the findings and recommendations of the RC to the Board after each meeting. During the financial year ended 30 June 2014, there were three RC meetings and the attendance of its members was as follows:

Name of members	**Attendance**
Mr. Lin Ye *(appointed on 15 October 2013) (Note 1)*	1/3
Mr. Yang Zeqiang	3/3
Ms. Yau Lai Ying *(appointed on 15 October 2013) (Note 1)*	1/3
Mr. Lo Kin Chung *(resigned on 15 October 2013) (Note 2)*	2/3
Mr. Yu Zhongming *(resigned on 15 October 2013) (Note 2)*	2/3

Note 1: 1 RC meeting was held during the period from 15 October 2013 to 30 June 2014.

Note 2: 2 RC meetings were held during the period from 1 July to 15 October 2013.

The work performed by the RC during the year ended 30 June 2014 included the review of the remuneration policy for this financial year and the remuneration of Executive Directors and Independent Non-executive Directors.

NOMINATION COMMITTEE

With specific written terms of reference, all members of the nomination committee of the Company (the "NC") are Independent Non-executive Directors, namely, Mr. Lin Ye (appointed on 15 October 2013), Mr. Yang Zeqiang, Ms. Yau Lai Ying (appointed on 15 October 2013), Mr. Lo Kin Chung (resigned on 15 October 2013) and Mr. Yu Zhongming (resigned on 15 October 2013). Mr. Lo Kin Chung was the chairman of the NC up to 15 October 2013. Following the resignation of Mr. Lo Kin Chung as an Independent Non-executive Director and the chairman of NC on 15 October 2013, Ms. Yau Lai Ying is the chairman of NC since 15 October 2013. The NC's terms of reference are posted on the websites of the Company and the Stock Exchange.

NOMINATION COMMITTEE *(Continued)*

The role and function of the NC include:

(a) to review the structure, size and composition of the Board at least annually and make recommendations to the Board regarding any proposed changes so as to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to make recommendations to the Board on relevant matters related to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer of the Company;

(d) to assess the independence of Independent Non-executive Directors;

(e) where the Board proposes a resolution to elect an individual as an Independent Non-executive Directors at the general meeting, the NC should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent; and

(f) to review the objectives of the Diversity Policy and closely monitor it in order to ensure the effectiveness of the implementation of this policy.

The chairman of the NC reports the findings and recommendations of the NC to the Board after each meeting. During the financial year ended 30 June 2014, there were three NC meetings and the attendance of its members was as follows:

Name of members	Attendance
Mr. Lin Ye *(appointed on 15 October 2013) (Note 1)*	0/3
Mr. Yang Zeqiang	3/3
Ms. Yau Lai Ying *(appointed on 15 October 2013) (Note 1)*	0/3
Mr. Lo Kin Chung *(resigned on 15 October 2013) (Note 2)*	3/3
Mr. Yu Zhongming *(resigned on 15 October 2013) (Note 2)*	3/3

Note 1: No NC meeting was held during the period from 15 October 2013 to 30 June 2014.

Note 2: 3 NC meetings were held during the period from 1 July to 15 October 2013.

The NC recommended that one Executive Director, Mr. Chen Jinqing and two Independent Non-executive Directors, Mr. Lin Ye and Ms. Yau Lai Ying, retiring by rotation at the annual general meeting (the "AGM") held in November 2013, be re-elected. The NC made this recommendation for re-appointment based on their contributions to the Board and their firm commitment to their roles. The Board accepted the NC's recommendation and accordingly, the Executive Director and the Independent Non-executive Directors named above offered themselves for re-election at the AGM held in November 2013. The NC also considered the contribution of each Director to the effectiveness of the Board, reviewed the attendance and participation of the Directors at the Board and Board meetings.

AUDITOR'S SERVICES

(a) Audit service

The fee for annual audit quoted by Dominic K.F. Chan & Co. ("DCC") had been reviewed by the Board and the AC. For the year ended 30 June 2014, the auditor's remuneration was HK$750,000.

(b) Non-audit service

The fee charged by DCC of interim review for the period ended 31 December 2013 was HK$210,000. DCC reviewed the interim financial statements and made a review conclusion.

BOARD DIVERSITY POLICY

The Board and the NC adopted and approved the Diversity Policy on 26 August 2013 for the purpose of supporting the attainment of the strategic objectives and sustainable and balanced development of the Company. A summary of the Diversity Policy, together with the measureable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Measurable Objectives

In designing the Board's composition, all Board appointments will be based on merits, and candidates for the Board membership will be considered and selected against objective criteria, including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, with due regard for the benefits of diversity on the Board.

Monitoring and Reporting

The NC will report annually the composition of the Board in the Corporate Governance Report. The NC will also review the objectives of the Diversity Policy and closely monitor the implementation of this policy. Furthermore, the NC will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises six Directors. Three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of gender, age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

REPORT ON CORPORATE GOVERNANCE PRACTICES

COMMUNICATION WITH SHAREHOLDERS

The Board uses the AGM to communicate with shareholders and encourages their participation. At the AGM held in November 2013, the Chairman proposed a separate resolution in respect of each substantially separate issue and arranged a member of the AC and the auditor to answer questions at the meeting. The Company also provides extensive information in its annual reports, interim reports and announcements that are published on the websites of the Company and the Stock Exchange. Shareholders may at any time send their enquiries and concerns to the Board addressing to the Company Secretary of the Company by fax or by post to the Company's head office and principal place of business in Hong Kong as follows:

Art Textile Technology International Company Limited
Unit 1407, 14th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong
Fax: +852 3106 6987

RIGHTS OF SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the articles of association of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company deposited at the Company's head office and principal place of business in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

There are no provisions allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law (2011 Revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

VOTING BY POLL

The articles of association of the Company set out the procedures, requirements and circumstances where voting by poll is required. Pursuant to Rule 13.39 of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

The poll results will be published on the websites of the Stock Exchange and of the Company as soon as possible after conclusion of the general meeting, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the general meeting.

CHANGES TO CONSTITUTIONAL DOCUMENTS

During the year ended 30 June 2014, there was no significant change in the Company's constitutional documents, and these documents are published on the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

陳錦福會計師事務所
Dominic K.F. Chan & Co.
Certified Public Accountants (Practising)

TO THE MEMBERS OF
ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED
錦藝紡織科技國際有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Art Textile Technology International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 85, which comprise the consolidated statement of financial position as at 30 June 2014 and 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

Dominic K.F. Chan & Co.,
Certified Public Accountants (Practising)
Rooms 2105-06, 21/F.,
Office Tower, Langham Place,
8 Argyle Street, Mongkok,
Hong Kong
26 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	NOTES	**2014 HK$'000**	2013 HK$'000
Turnover		**492,939**	1,430,025
Cost of sales		**(404,154)**	(1,261,483)
Gross profit		**88,785**	168,542
Other income	*8*	**5,586**	9,459
Gain on disposal of subsidiaries	*30*	**–**	92,484
Administrative expenses		**(35,303)**	(41,539)
Selling and distribution costs		**(16,909)**	(22,739)
Other expenses		**(3,232)**	(3,142)
Finance costs	*9*	**(7,532)**	(45,452)
Profit before tax		**31,395**	157,613
Income tax expense	*10*	**(15,993)**	(35,740)
Profit for the year	*11*	**15,402**	121,873
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Reclassification adjustments relating to exchange difference upon disposal of interests in subsidiaries		**–**	(14,128)
Exchange differences arising on translation		**–**	23,896
Other comprehensive income for the year (net of income tax)		**–**	9,768
Total comprehensive income for the year		**15,402**	131,641
EARNINGS PER SHARE	*14*		
Basic (HK cents per share)		**1.48**	11.71
Diluted (HK cents per share)		**1.48**	11.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	91,236	95,533
Prepaid lease payments	16	18,619	19,116
		109,855	114,649
CURRENT ASSETS			
Inventories	17	12,325	16,600
Trade and other receivables	18	351,476	76,480
Pledged bank deposits	19	25,316	48,087
Bank balances and cash	20	740,659	1,091,481
		1,129,776	1,232,648
CURRENT LIABILITIES			
Trade and other payables	21	82,272	156,824
Tax liabilities		2,880	4,876
Secured bank borrowings	22	56,962	130,696
		142,114	292,396
NET CURRENT ASSETS		987,662	940,252
TOTAL ASSETS LESS CURRENT LIABILITIES		1,097,517	1,054,901
CAPITAL AND RESERVES			
Share capital	25	10,406	10,406
Share premium and reserves		1,066,534	1,035,652
Equity attributable to owners of the Company		1,076,940	1,046,058
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	10,808	8,843
Bond	23	9,769	–
		20,577	8,843
		1,097,517	1,054,901

The consolidated financial statements on pages 31 to 85 were approved and authorised for issue by the board of directors on 26 September 2014 and are signed on its behalf by:

Chen Jinyan
DIRECTOR

Chen Dong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2012	10,406	165,838	136	181,271	68,044	2,598	486,124	914,417
Profit for the year	–	–	–	–	–	–	121,873	121,873
Other comprehensive income for the year								
– Reclassification adjustments upon disposal of interests in subsidiaries	–	–	–	(14,128)	–	–	–	(14,128)
– Exchange differences arising on translation	–	–	–	23,896	–	–	–	23,896
Total comprehensive income for the year	–	–	–	9,768	–	–	121,873	131,641
At 30 June 2013 and 1 July 2013	10,406	165,838	136	191,039	68,044	2,598	607,997	1,046,058
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**15,402**	**15,402**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**15,402**	**15,402**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**15,480**	**–**	**15,480**
At 30 June 2014	**10,406**	**165,838**	**136**	**191,039**	**68,044**	**18,078**	**623,399**	**1,076,940**

The statutory reserve fund is a reserve required by the relevant laws of the PRC applicable to the Company's PRC subsidiaries. Appropriations to such reserve are made out of profit for the year as per statutory accounts of the PRC subsidiaries and the amount and allocation basis are decided by the respective board of directors annually.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	NOTES	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		15,402	121,873
Adjustments for:			
Income tax expenses recognised in profit and loss		15,993	35,740
Allowance/(reversal) for doubtful debts		123	(515)
Depreciation of property, plant and equipment		23,204	44,684
Loss/(gain) on disposal of property, plant and equipment		80	(32)
Release of prepaid lease payments		498	1,698
Finance costs recognised in profit or loss		7,532	45,452
Interest income		(5,078)	(8,486)
Share-based payment expense		15,480	–
Government grants deducted against depreciation		–	(441)
Gain on disposal of subsidiaries		–	(92,484)
Movements in working capital		73,234	147,489
Decrease in inventories		4,275	36,610
(Increase)/decrease in trade and other receivables		(275,119)	8,028
(Decrease)/increase in trade and other payables		(74,552)	36,121
Cash (used in)/generated from operations		(272,162)	228,248
Income tax paid		(16,024)	(37,891)
NET CASH (USDED IN)/FROM OPERATING ACTIVITIES		(288,186)	190,357
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(19,195)	(27,758)
Placement of pledged bank deposits		(53,129)	(230,130)
Withdrawal of pledged bank deposits		75,899	293,630
Interest received		5,078	8,486
Proceeds on disposal of property, plant and equipment		208	32
Net cash inflow arising on disposal of subsidiaries	30	–	2,852
NET CASH FROM INVESTING ACTIVITIES		8,861	47,112

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	NOTES	**2014 HK$'000**	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings raised		**67,088**	441,727
Issue of bond		**9,880**	–
Repayment of bank borrowings		**(140,823)**	(548,386)
Repayment of obligations under finance leases		**–**	(11,230)
Interest paid on bank borrowings		**(6,862)**	(44,482)
Interest paid on bond		**(780)**	–
Interest paid on finance leases		**–**	(970)
NET CASH USED IN FINANCING ACTIVITIES		**(71,497)**	(163,341)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(350,822)**	74,128
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		**–**	26,919
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,091,481**	990,434
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	*20*	**740,659**	1,091,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. Its immediate and ultimate holding company is Fully Chain, a private company incorporated in the BVI. Its ultimate controlling party is Mr. Chen Jinyan. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HKD") and the functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in HKD for the convenience of the shareholders because the Company's shares are listed in Hong Kong.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 32.

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

In the current year, the Group has applied, for the first time, a number of Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on or after 1 July 2013.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRSs 10, 11 and 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 is not applicable to the Group as it deals only with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The application of HKFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Other than the additional disclosures required by HKFRS 12, the application of HKFRS 12 has no material impact on the amounts recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has no material impact on the amounts recognised in the consolidated financial statements.

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

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRSs 9 and 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRSs 10, 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 9	Financial Instruments[6]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41	Amendments Bringing Bearer Plants into the Scope of HKAS 16 [3]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[2]
HKAS 27	Amendments Reinstating the Equity Method as an Accounting Option for Investments in Subsidiaries, Joint Ventures and Associates in an Entity's Separate Financial Statements [3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018
6 Effective dates are to be determined

Amendments to HKAS 19 Defined benefit plans: Employee contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. The directors of the Company do not anticipate that the amendments to HKAS 19 will have a material effect on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

Annual improvements to HKFRSs 2010-2012 cycle

The "Annual improvements to HKFRSs 2010-2012 cycle" include a number of amendments to various HKFRSs, which are summarized below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the "Annual improvements to HKFRSs 2010-2012 cycle" will have a material effect on the Group's consolidated financial statements.

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

Annual improvements to HKFRSs 2011-2013 cycle

The "Annual improvements to HKFRSs 2011-2013 cycle" include a number of amendments to various HKFRSs, which are summarized below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the "Annual improvements to HKFRSs 2011-2013 cycle" will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 Financial Instruments *(Continued)*

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. The directors of the Company are in the process of assessing the impact on application of HKFRS 9.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities. The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness. The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC)-Int 21 Levies

HK(IFRIC)-Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for; in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The directors of the Company do not anticipate that the application of HK(IFRIC)-Int 21 will have any effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

Revenue recognition

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

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

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

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

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

Leasing

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

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, expect where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

For the purposes of presenting 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 rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

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

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

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

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

Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Share-based payment transactions of the Company

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Taxation

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

Current tax

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

Deferred tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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 are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Research and development expenditure

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure *(Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

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

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

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The accounting policies adopted in respect of loans and receivables are set out below.

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 on 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 instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities (including trade and other payables, secured bank borrowings and bond are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily obtainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

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 within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2014, the carrying amount of trade receivables is HK$84,741,000 (2013: HK$72,881,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes secured bank borrowings disclosed in note 22, bond disclosed in note 23 and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payments of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

In addition to capital risk management, there is a concentration risk on location of net assets owned by the Group. The Group's net assets are principally situated in the PRC and accordingly, they are subject to a concentration of assets realisation risk in the local municipalities and provinces, where they are located. The Group's ability to realise the majority of its net assets is related to the economic conditions in the PRC as a whole and the local areas in which it operates. Management manages this exposure by maintaining a portfolio of assets in different locations with different risk profiles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables:		
Financial assets included in trade and other receivables	**86,561**	75,334
Pledged bank deposits	**25,316**	48,087
Bank balances and cash	**740,659**	1,091,481
	852,536	1,214,902
Financial liabilities		
Other financial liabilities at amortised cost:		
Trade and other payables	**82,272**	156,824
Secured bank borrowings	**56,962**	130,696
Bond	**9,769**	–
	149,003	287,520

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, secured bank borrowings and bond. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall policies remain unchanged from prior years.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Currency risk

Certain trade payables, bank balances and bond are denominated in United States dollars ("USD") and HKD which are currencies other than functional currency of the relevant group entities.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis
The group entities are mainly exposed to the fluctuation of USD and HKD against RMB.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2013: 5%) change in foreign currency rates.

The sensitivity analysis includes USD and HKD denominated trade and other receivables/payables, bank balances and bond, as appropriate. A positive or negative number below indicates an increase or a decrease in post-tax profit where RMB strengthen 5% (2013: 5%) against the relevant currency. For a 5% (2013: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	HKD Impact *(Note)*		**USD Impact** *(Note)*	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Profit or loss	**124**	(143)	**(5)**	4

Note: This is mainly attributable to the exposure outstanding on USD or HKD trade and other receivables/payables, bank balances and bond not subject to cash flow hedge at the end of the reporting period in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating-rate bank borrowings (see note 22 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the rate determined by the People's Bank of China arising from the Group's RMB denominated bank borrowings.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, bank balances, bank borrowings and bond, as set out in notes 19, 20, 22 and 23 respectively.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Group maintains a mixture of floating-rate and fixed-rate borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period carried at floating market interest rate. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2013: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As the Group had no floating-rate bank borrowings for the year ended 30 June 2014, therefore no sensitivity analysis is done.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 30 June 2013 would decrease/increase by HK$58,000. This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings.

(iii) Other price risk

The Group is not exposed to significant other price risk. Management monitors other price risks and will consider hedging significant price exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 30 June 2014, 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 debt at each 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 Group has a number of counterparties and customers. However, the Group's credit risk is concentrated on certain major customers. At 30 June 2014, the five largest receivable balances accounted for approximately 69% (2013: 47%) of the Group's total receivable balances. However, taking into account the strong financial background and good creditability of these customers under internal credit assessment adopted by the Group, the management considers that there is no significant uncovered credit risk.

The Group places deposits with major banks in the PRC and Hong Kong, therefore, the credit risk on liquid funds is limited.

Liquidity risk

The Group has net current assets of HK$987,662,000 as at 30 June 2014 (2013: HK$940,252,000). The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cash flows from operations.

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 management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. 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. Specially, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating-rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 30.6.2014 HK$'000
2014								
Non-derivative financial liabilities								
Trade and other payables		31,639	25,317	25,316	–	–	82,272	82,272
Bank borrowings								
– fixed-rate	7.00	–	25,612	33,307	–	–	58,919	56,962
Bond	8.33	–	–	–	4,002	10,822	14,824	9,769
		31,639	50,929	58,623	4,002	10,822	156,015	149,003

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 30.6.2013 HK$'000
2013								
Non-derivative financial liabilities								
Trade and other payables		60,206	25,316	71,302	–	–	156,824	156,824
Bank borrowings								
– fixed-rate	6.36	22,905	7,507	21,354	–	–	51,766	50,949
– floating-rate	7.90	–	32,063	49,052	–	–	81,115	79,747
		83,111	64,886	141,708	–	–	289,705	287,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis, if any.

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

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Therefore, the chief operating decision maker only considers the Group's business from a product perspective, rather than from a geographic perspective. From a product perspective, management assesses the performance from textile products which includes garment fabrics and textile materials, and from real restate for the year ended 30 June 2014 because the subsidiaries with principal activities in sales of cotton and yarn were disposed of by the Group on 31 December 2012.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit or loss from each segment without allocation of income tax expense and central administration costs.

Two external customers with each of their turnover amounted to 10 per cent or more of the Group's turnover for the years ended 30 June 2014 and 30 June 2013. The total amount of turnover from the first customer was HK$63,986,000 (2013: HK$323,495,000) and from the second customer was HK$60,623,000 (2013: HK$196,627,000) and all of them were from textile products segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

7. SEGMENT INFORMATION *(Continued)*

The chief operating decision maker assesses the performance of the operating segments based on sales and net profit.

	Textile Products HK$'000	Real Estate HK$'000	Total HK$'000
Year ended 30 June 2014			
Turnover	**492,939**	**–**	**492,939**
Segment results	**52,585**	**(108)**	**52,477**
Income tax expense			**(15,993)**
Central administration costs			**(21,082)**
Profit for the year			**15,402**
Depreciation	**23,201**	**–**	**23,201**

	Textile Products HK$'000	Real Estate HK$'000	Total HK$'000
Year ended 30 June 2013			
Turnover	1,430,025	–	1,430,025
Segment results	71,540	–	71,540
Income tax expense			(35,740)
Central administration costs			(6,411)
Gain on disposal of subsidiaries			92,484
Profit for the year			121,873
Depreciation	44,651	–	44,651

No geographical market analysis is provided as the Group's turnover and contribution to segment results were substantially derived from the customers in the PRC and the assets are substantially located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

8. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Bank interest income	**5,078**	8,486
Others	**508**	973
	5,586	9,459

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on		
– Bank borrowings wholly repayable within five years	**6,862**	44,482
– Finance leases	**–**	970
– Bond	**670**	–
	7,532	45,452

10. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Income tax recognised in profit or loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	**13,330**	34,803
– Under provision in the prior years	**698**	937
Deferred tax *(note 24)*	**1,965**	–
	15,993	35,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

10. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax was calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the financial year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for both years.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25%.

As set out in note 24, deferred tax of HK$1,965,000 (2013: Nil) has been provided for in the consolidated financial statements in respect of the undistributed profits earned by the Company’s PRC subsidiaries attributable to the Group under the EIT Law that are subject to withholding tax upon the distribution of such profits to the shareholders outside the PRC.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2014 **HK$’000**	2013 HK$’000
Profit before tax	**31,395**	157,613
Tax at the income tax rate of 25% (2013: 25%)	**7,849**	39,403
Tax effect of expenses not deductible for tax purpose	**5,273**	47,857
Tax effect of income not taxable for tax purpose	**(4)**	(69,493)
Tax effect of deductible temporary differences not recognised	**212**	17,036
Withholding tax on undistributed profits of subsidiaries in the PRC	**1,965**	–
Underprovision in the previous years	**698**	937
Tax charge for the year	**15,993**	35,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

11. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– directors' emoluments	**4,122**	4,678
– other staff's salaries and other benefits	**24,404**	28,599
– other staff's retirement benefit scheme contributions	**4,116**	4,013
– share-based payment	**15,480**	–
	48,122	37,290
Allowance/(reversal) for doubtful debts	**123**	(515)
Auditor's remuneration	**750**	800
Depreciation of property, plant and equipment	**23,204**	44,684
Exchange (gain)/loss, net	**(23)**	627
Loss/(gain) on disposal of property, plant and equipment	**80**	(32)
Release of prepaid lease payments	**498**	1,697
Research and development costs	**3,024**	3,030

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the eight (2013: seven) directors were as follows:

(a) Directors' emoluments

Details of emoluments of individual directors are set out as follows:

2014

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
Mr. Chen Dong	–	1,800	22	–	1,822
Mr. Chen Jinyan *(Note)*	–	870	21	–	891
Mr. Chen Jinqing	–	1,200	22	–	1,222
Mr. Lin Ye	26	–	–	155	181
Mr. Yu Zhongming	11	–	–	–	11
Mr. Lo Kin Chung	29	–	–	–	29
Mr. Yang Zeqiang	36	–	–	155	191
Ms. Yau Lai Ying	85	–	–	155	240
	187	3,870	65	465	4,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

2013

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Chen Dong	–	1,800	22	1,822
Mr. Chen Jinyan	–	1,440	22	1,462
Mr. Chen Jinqing	–	1,200	22	1,222
Mr. Huang Yongfeng	8	–	–	8
Mr. Yu Zhongming	36	–	–	36
Mr. Lo Kin Chung	100	–	–	100
Mr. Yang Zeqiang	28	–	–	28
	172	4,440	66	4,678

Note: Pursuant to a supplemental agreement dated 2 January 2014, the Company and Mr. Chen Jinyan agreed that Mr. Chen Jinyan received nil remuneration from 1 January 2014 to 31 March 2014 (both days inclusive) and with effect from 1 April 2014, Mr. Chen Jinyan received the remuneration at HK$50,000 per month. Other than this, no directors waived any emoluments for both years.

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 30 June 2014 included three (2013: three) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining two (2013: two) individuals are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**1,464**	1,360
Retirement benefit scheme contributions	**37**	37
	1,501	1,397

Their emoluments were all within nil to HK$1,000,000.

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS PAID

No dividend was paid or proposed for the year ended 30 June 2014 nor has any dividend been proposed since the end of the reporting period (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

14. EARNINGS PER SHARE

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

	2014	2013
	HK$'000	HK$'000
Earnings:		
Profit for the year attributable to the owners of the Company and earnings for the purposes of basic and diluted earnings per share	**15,402**	121,873

	2014	2013
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,040,602**	1,040,602
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	**3,168**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,043,770**	1,040,602

The calculation of diluted earnings per share in 2013 had not assumed the exercise of the share options as these potential ordinary shares were anti-dilutive during 2013.

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of these options were higher than the average market prices for the Company's shares for the year ended 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures, office equipment and motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST	355,833	493,245	2,486	14,539	39,842	905,945
At 1 July 2012						
Exchange realignment	9,014	4,060	55	165	1,196	14,490
Additions	–	1,297	–	34	25,383	26,714
Transfer	–	2,213	–	–	(2,213)	–
Disposal	–	(1,396)	(1,279)	(438)	–	(3,113)
Disposal of subsidiaries	(221,979)	(333,187)	–	(7,835)	(38,343)	(601,344)
At 30 June 2013	142,868	166,232	1,262	6,465	25,865	342,692
Additions	**670**	**34**	**–**	**–**	**18,491**	**19,195**
Transfer	**24,051**	**495**	**1,731**	**251**	**(26,528)**	**–**
Disposal	**–**	**(6,896)**	**–**	**–**	**–**	**(6,896)**
At 30 June 2014	**167,589**	**159,865**	**2,993**	**6,716**	**17,828**	**354,991**
ACCUMULATED DEPRECIATION						
At 1 July 2012	128,917	201,611	2,297	8,623	–	341,448
Exchange realignment	2,761	2,615	59	965	–	6,400
Provided for the year	11,989	31,204	185	1,306	–	44,684
Eliminated on disposals	–	(1,396)	(1,279)	(438)	–	(3,113)
Eliminated on disposals of subsidiaries	(21,507)	(115,345)	–	(5,408)	–	(142,260)
At 30 June 2013	122,160	118,689	1,262	5,048	–	247,159
Provided for the year	**10,924**	**11,719**	**201**	**360**	**–**	**23,204**
Eliminated on disposals	**–**	**(6.608)**	**–**	**–**	**–**	**(6,608)**
At 30 June 2014	**133,084**	**123,800**	**1,463**	**5,408**	**–**	**263,755**
CARRYING VALUES						
At 30 June 2014	**34,505**	**36,065**	**1,530**	**1,308**	**17,828**	**91,236**
At 30 June 2013	20,708	47,543	–	1,417	25,865	95,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

The above items of property, plant and equipment are depreciated on straight-line basis at the following rates per annum:

Buildings	3% – 10%
Plant and machinery	10% – 20%
Leasehold improvements	20%
Furniture, fixtures, office equipment and motor vehicles	16% – 33%

The Group's buildings are erected on leasehold interest in land held under medium-term leases in the PRC.

At 30 June 2014, certain buildings of the Group with aggregate carrying values of HK$31,088,000 (2013: HK$16,486,000) were pledged to banks to secure banking facilities granted to the Group.

At 30 June 2014, no plant and machinery of the Group were pledged to banks to secure banking facilities granted to the Group (2013: HK$33,372,000).

16. PREPAID LEASE PAYMENTS

	2014 **HK$'000**	2013 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold interest in land under medium-term leases in the PRC	**19,117**	19,614
Analysed for reporting purposes as:		
Non-current assets	**18,619**	19,116
Current assets *(note 18)*	**498**	498
	19,117	19,614

At 30 June 2014, certain leasehold land with carrying values of HK$18,206,000 (2013: HK$19,614,000) were pledged to banks to secure banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

17. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**2,250**	2,222
Work in progress	**5,912**	11,769
Finished goods	**4,163**	2,609
	12,325	16,600

18. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**85,597**	73,614
Less: Allowance for doubtful debts	**(856)**	(733)
	84,741	72,881
Deposits to suppliers	**263,635**	–
Others	**2,602**	3,101
Prepaid lease payments – current portion *(note 16)*	**498**	498
Total trade and other receivables	**351,476**	76,480

At 30 June 2014, no trade receivables of the Group were denominated in USD (2013: Nil).

The Group allows average credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014 HK$'000	2013 HK$'000
0 – 90 days	**77,078**	69,171
Over 90 days	**7,663**	3,710
Trade receivables	**84,741**	72,881

18. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 91% (2013: 95%) of the trade receivables that are neither past due nor impaired have good credit rating under internal credit assessment adopted by the Group.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$7,663,000 (2013: HK$3,710,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables was between 0 to 60 days (2013: 0 to 60 days) for the year ended 30 June 2014.

Ageing of trade receivables which are past due but not impaired

Overdue by:	**2014** **HK$'000**	2013 HK$'000
1 – 60 days	**1,972**	747
61 – 90 days	**3,963**	2,366
Over 90 days	**1,728**	597
Total	**7,663**	3,710

The Group has provided an impairment loss of HK$123,000 for the year ended 30 June 2014 (2013: reversal of impairment loss of HK$515,000). The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2014 **HK$'000**	2013 HK$'000
Balance at beginning of the year	**733**	1,217
Impairment loss recognised on receivables	**123**	–
Reversal of impairment loss recognised	**–**	(515)
Exchange realignment	**–**	31
Balance at end of the year	**856**	733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

19. PLEDGED BANK DEPOSITS

The pledged bank deposits are pledged to banks to secure credit facilities granted to the Group. The deposits that have been pledged represent deposits to secure short-term bank borrowings and are therefore classified as current assets. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

The deposits carry fixed interest rates of 0.35% to 2.80% (2013: 0.39% to 2.80%) per annum and denominated in the functional currency of the relevant group entities.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that carry interest rates ranging from 0.01% to 0.35% (2013: 0.01% to 0.35%) per annum and have original maturity of three months or less.

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

	2014 **HK$'000**	2013 HK$'000
USD	**159**	206
HKD	**7,291**	2,863

21. TRADE AND OTHER PAYABLES

	2014 **HK$'000**	2013 HK$'000
Trade payables	**23,337**	35,955
Bill payables	**50,633**	102,947
Other payables	**8,302**	17,922
	82,272	156,824

The average credit period on trade payables was 45 days (2013: 45 days) for the year ended 30 June 2014. The average credit period on bill payables ranged from 180 days to 365 days (2013: 90 days to 180 days) for the year ended 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

21. TRADE AND OTHER PAYABLES *(Continued)*

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

	2014 HK$'000	2013 HK$'000
0 – 60 days	**22,570**	53,550
61 – 90 days	**–**	53,707
Over 90 days	**51,400**	31,645
Trade and bill payables	**73,970**	138,902

22. SECURED BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Carrying amount of bank borrowings that are wholly repayable within one year	**56,962**	130,696

The exposure of the Group's fixed-rate and floating-rate borrowings are as follows:

	2014 HK$'000	2013 HK$'000
Fixed-rate borrowings	**56,962**	50,949
Floating-rate borrowings	**–**	79,747
	56,962	130,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

22. SECURED BANK BORROWINGS *(Continued)*

The ranges of effective interest rates per annum (which are equal to contractual interest rates) on the Group's borrowings are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	**6.00% to 7.80%**	6.16% to 7.80%
Floating-rate borrowings	**N/A**	6.60% to 8.40%

The Group's secured bank borrowings are wholly repayable within one year and secured by the following:

(i) certain buildings as set out in note 15;

(ii) certain leasehold interest in land as set out in note 16;

(iii) pledged bank deposits as set out in note 19; and

(iv) cross guarantee between fellow subsidiaries.

23. BOND

On 10 July 2013, the Company issued unlisted and non-transferable bond of HK$10,000,000 to an independent third party at face value with issuing costs of HK$120,000. The bond is interest bearing at 8.00% per annum, unsecured and repayable on the seventh anniversary of the respective date of issue. The bond was initially recognised at HK$9,862,000, less issuing costs of HK$120,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.33% (2013: Nil) per annum.

During the year, interest on the bond was repaid by the Company of approximately HK$780,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

24. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised by the Group and movement thereon during the current and prior years.

	Undistributable profits of PRC's subsidiaries HK$'000
At 1 July 2012	8,625
Exchange realignment	218
Charge to profit or loss	–
At 30 June 2013 and 1 July 2013	8,843
Charge to profit or loss	**1,965**
At 30 June 2014	**10,808**

Under the EIT Law, certain subsidiaries are entitled to a withholding tax at the rate of 5% for dividend payments for the year ended 30 June 2014.

25. SHARE CAPITAL

	Number of shares	**Nominal value** HK$'000
Ordinary shares of HK$0.01 each, at 1 July 2012, 30 June 2013 and 30 June 2014		
Authorised	2,000,000,000	20,000
Issued and fully paid	1,040,602,583	10,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

26. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Eligible participants of the Scheme include directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any members of the Group or any Invested Entity or any holder of any securities issued by any members of the Group or any Invested Entity. The Scheme became effective on 22 November 2013 (the "Effective Date") and, unless otherwise terminated or amended, will remain in force for 10 years.

On 22 May 2014, the Company granted share options to entitle the holders to subscribe for a total of 104,000,000 shares of HK$0.01 each of the Company at the exercise price of HK$0.331 per share and the exercise period commenced on 22 May 2014 and will expire on 21 May 2024 ("the Option 2014").

As at the date of this report, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 122,600,000 (2013: 18,600,000), representing approximately 11.78% (2013: 1.79%) of the issued share capital of the Company as at the date of this report. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Group shall not exceed such number of Company's shares as equal to 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the Company's shares in issue as at the Effective Date. The number of shares in respect of which options may be granted to any individual in any one year 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 excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company which shall not be lower than the nominal value of the shares of the Company and shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a business day; and (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of the grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

26. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by directors, independent non-executive directors and employees during the current and prior years:

(a) The terms and conditions of the grants are as follows:

Category	Date of grant	Exercise period	Exercise price HK$	Outstanding at 1.7.2012	Granted during the year	Exercised during the year	Outstanding at 30.6.2013	Granted during the year	Exercised during the year	Outstanding at 30.6.2014
Directors	10.7.2008	1.8.2008 to 31.7.2018	0.358	4,300,000	–	–	4,300,000	**–**	**–**	**4,300,000**
Independent Non-executive Directors	22.5.2014	22.5.2014 to 21.5.2024	0.331	–	–	–	–	**3,120,000**	**–**	**3,120,000**
				4,300,000	–	–	4,300,000	**3,120,000**	**–**	**7,420,000**
Employees	10.7.2008	1.8.2008 to 31.7.2018	0.358	14,300,000	–	–	14,300,000	**–**	**–**	**14,300,000**
	22.5.2014	22.5.2014 to 21.5.2024	0.331	–	–	–	–	**100,880,000**	**–**	**100,880,000**
				14,300,000	–	–	14,300,000	**100,880,000**	**–**	**115,180,000**
Granted Total				18,600,000	–	–	18,600,000	**104,000,000**	**–**	**122,600,000**
Exercisable at year end							18,600,000			**122,600,000**

(b) The number and weighted average exercise prices of share options are as follows:

	2014		2013	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**18,600,000**	**0.358**	18,600,000	0.358
Grant during the year	**104,000,000**	**0.331**	–	N/A
Outstanding at the end of the year	**122,600,000**	**0.335**	18,600,000	0.358
Exercisable at the end of the year	**122,600,000**	**0.335**	18,600,000	0.358

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 9.02 years (2013: 4.09 years) and the exercise prices range from HK$0.331 to HK$0.358 (2013: HK$0.358). The estimated fair value of the options granted on 22 May 2014 is approximately HK$15,480,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

26. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) The number and weighted average exercise prices of share options are as follows: *(Continued)*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. The inputs into the model were as follows:

	Option 2014
Share price on grant date	HK$0.320
Weighted average share price	HK$0.331
Weighted average exercise price	HK$0.335
Expected volatility	40.148%
Expected life of the options	10 years
Risk free rate	1.957%
Expected dividend yield	Nil

The expected volatility is based on historical price volatility of the share price of the Company. Historical volatility measures the volatility of the underlying asset over a certain historical period of time (the "Past Volatility"). It is assumed that Past Volatility can be extrapolated directly to the future volatility. The Past Volatility of the share price of the Company was determined with reference to the public data extracted from Bloomberg terminal on 22 May 2014. Expected dividend yield is based on historical dividend payout record. Changes in the subjective input assumptions could materially affect the fair value estimate. There is no market conditions associated with the share option granted.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The total expense recognised for the year arising from share-based payment transactions is HK$15,480,000 (2013: Nil)

27. OPERATING LEASE COMMITMENTS

The Group as lessee

	2014 HK$'000	2013 HK$'000
Minimum lease payments paid under operating leases during the year in respect of rented premises	**2,286**	2,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

27. OPERATING LEASE COMMITMENTS *(Continued)*

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

	2014	2013
	HK$'000	HK$'000
Within one year	**1,644**	1,486
In the second to fifth year inclusive	**853**	1,863
Over five years	**–**	–
	2,497	3,349

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouse facilities. Leases are negotiated for a term ranging from 1 to 9 years (2013: 1 to 9 years) with fixed rentals. Most of the operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

28. CAPITAL AND OTHER COMMITMENTS

	2014	2013
	HK$'000	HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:		
– construction of buildings	**–**	1,266
– leasehold improvement	**–**	683
– plant and machinery	**7,716**	–
	7,716	1,949

29. RELATED PARTY TRANSACTIONS

The remuneration of key management during the year were as follows:

	2014	2013
	HK$'000	HK$'000
Short-term benefits	**4,057**	4,612
Share-based payment	**465**	–
Retirement benefit scheme contributions	**65**	66
	4,587	4,678

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

30. DISPOSAL OF SUBSIDIARIES

On 11 December 2012, the Group entered into a conditional sale and purchase agreement to dispose of its equity interests in a few subsidiaries, Wide Launch Investment Limited, Well Master Enterprise Limited, Zhengzhou Hongye Textile Company Limited and Zhengzhou Huatai Textile Company Limited (collectively referred to as the "Disposal Group") to independent third parties at an aggregate consideration of RMB5,000,000 (equivalent to approximately HK$6,173,000). The principal activity of the Disposal Group is manufacturing or sales of cotton and yarn. The disposal was completed on 31 December 2012.

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	453,499
Prepaid lease payments	101,488
Deposits for acquisition of plant and equipment	5,017
Inventories	99,173
Trade and other receivables	280,717
Pledged bank deposits	408,087
Bank balances and cash	3,321
Trade and other payables	(894,873)
Secured bank borrowings	(509,210)
Obligations under finance leases	(15,095)
Deferred income	(4,307)
	(72,183)
Gain on disposal of subsidiaries:	
Total consideration	6,173
Less:	
Net liabilities disposed of	(72,183)
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on disposal of the subsidiaries	(14,128)
Gain on disposal of subsidiaries	92,484
Total consideration satisfied by:	
Cash consideration received	6,173
Net cash inflow arising on disposal:	
Cash consideration received	6,173
Less: Bank balances and cash disposed of	(3,321)
	2,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

31. FINANCIAL INFORMATION OF THE COMPANY

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9**	12
Investments in subsidiaries	32	**172,770**	172,770
		172,779	172,782
CURRENT ASSETS			
Trade and other receivables		**285**	268
Amounts due from subsidiaries	32	**273,729**	253,690
Bank balances and cash		**7,066**	2,638
		281,080	256,596
CURRENT LIABILITIES			
Trade and other payables		**773**	650
Amount due to a subsidiary	32	**44,746**	44,596
		45,519	45,246
NET CURRENT ASSETS		**235,561**	211,350
TOTAL ASSETS LESS CURRENT LIABILITIES		**408,340**	384,132
CAPITAL AND RESERVES			
Share capital	25	**10,406**	10,406
Share premium and reserves		**388,165**	373,726
Equity attributable to owners of the Company *(Note)*		**398,571**	384,132
NON-CURRENT LIABILITY			
Bond	23	**9,769**	–
		408,340	384,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

31. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: Details of movements of the Company's share capital, share premium and reserves are as follows:

	Share capital HK$'000	Share Premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2012	10,406	165,838	172,750	20,115	2,598	19,435	391,142
Loss for the year	–	–	–	–	–	(7,000)	(7,000)
Other comprehensive loss							
– Reclassification adjustments upon disposal of interests in subsidiaries	–	–	–	(10)	–	–	(10)
Total comprehensive loss for the year	–	–	–	(10)	–	(7,000)	(7,010)
At 30 June 2013 and 1 July 2013	10,406	165,838	172,750	20,105	2,598	12,435	384,132
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(1,041)**	**(1,041)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(1,041)**	**(1,041)**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**15,480**	**–**	**15,480**
At 30 June 2014	**10,406**	**165,838**	**172,750**	**20,105**	**18,078**	**11,394**	**398,571**

32. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30 June 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly 2014 %	Directly 2013 %	Indirectly 2014 %	Indirectly 2013 %	Principal activities
Art Bright Holdings Limited	Hong Kong	HK$1	**–**	–	**100**	100	Investment holding
Art Gate Limited	Hong Kong	HK$1	**–**	–	**100**	100	Investment holding
Big Luck International (HK) Limited	Hong Kong	HK$1	**–**	–	**100**	–	Investment holding and real estate
Fuzhou Huaguan Knitting and Sprining Co., Ltd. ("Fuzhou Huaguan")*	PRC	RMB70,000,000	**–**	–	**100**	100	Manufacture/sale of garment fabrics and trading of textile materials
Fuzhou Huasheng Textile Co., Ltd. ("Fuzhou Huasheng")*	PRC	US$4,000,000	**–**	–	**100**	100	Trial weaving of grey fabrics
Global Art International Limited	BVI	US$1 Ordinary share	**–**	–	**100**	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

32. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly		Indirectly		Principal activities
			2014 **%**	2013 %	**2014** **%**	2013 %	
Good Fame Group Limited	BVI	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Right Lane International Limited	BVI	US$30,000 Ordinary shares	**100**	100	**–**	–	Investment holding
Max High International Limited	BVI	US$30,000 Ordinary shares	**–**	–	**100**	–	Investment holding
Well Master Enterprise Limited	Hong Kong	HK$1	**–**	–	**–**	–***	Investment holding
Wide Launch Investment Limited	BVI	US$1 Ordinary share	**–**	–	**–**	–***	Investment holding
Zhengzhou Hongye Textile Co., Ltd ("Zhengzhou Hongye")*	PRC	HK$35,000,000	**–**	–	**–**	–***	Manufacture/sale of cotton and yarn
Zhengzhou Huatai Textile Co., Ltd. ("Zhengzhou Huatai")**	PRC	RMB50,000,000	**–**	–	**–**	–***	Manufacture/sale of cotton and yarn

* *Fuzhou Huaguan, Fuzhou Huasheng and Zhengzhou Hongye are established as wholly foreign-owned enterprises under the relevant PRC law and regulations.*

** *Zhengzhou Huatai is established as a wholly domestic-owned enterprise under the relevant PRC law and regulations.*

*** *These subsidiaries are disposed of by the Group on 31 December 2012. Details of the disposals are set out in note 30 to the consolidated financial statements.*

None of the subsidiaries had issued any debt securities at the end of the year.

The amounts due from/to subsidiaries are unsecured, interest free and have no fixed term of repayment.

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Turnover	801,646	902,658	2,106,147	1,430,025	**492,939**
Profit for the year	5,551	7,338	4,764	121,873	**15,402**

ASSETS AND LIABILITIES

	As at 30 June				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Total assets	1,545,519	2,486,692	2,711,010	1,347,297	**1,239,631**
Total liabilities	(715,773)	(1,599,798)	(1,796,593)	(301,239)	**162,691**
Equity attributable to owners of the Company	829,746	886,894	914,417	1,046,058	**1,076,940**