2015
Annual Report

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.

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REGISTERED OFFICE
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Hutchins Drive
P.O. Box 2681
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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
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Hong Kong

PRINCIPAL BANKERS
Bank of Communications
Agricultural Bank of China
Industrial and Commercial Bank of China
Fujian Haixia Bank
Ping On Bank
Hang Seng 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 would like to report that the Group recorded a turnover of HK$373,849,000 (2014: HK$492,939,000) and a loss for the year of HK$4,654,000 (profit in 2014: HK$15,402,000).

BUSINESS REVIEW

The Group always tries to diversify its operations into different kinds of business, therefore resources have been placed into property operating aspects in order to explore future prospects and develop relevant markets, with a view to magnify the Company's development potential and the shareholders' return. Thus, on 18 December 2014, an indirect wholly-owned PRC subsidiary of the Company acquired 75% equity interests in 鄭州佳潮物業服務有限公司 (Zhengzhou Jiachao Property Services Company Limited) ("Jiachao"), of which, its major asset is a shopping mall in the People's Republic of China (the "PRC"), at a cash consideration of RMB591,660,000 (equivalent to approximately HK$748,937,000). Jiachao is engaged in property investment, general management and agency in the PRC. The shopping mall comprises the whole of Zones A & B of a 4-storey shopping mall built over one level of basement commercial space and having a total registered gross floor area of approximately 125,200 square metres and is situated at No. 36 Mian Fang West Road, Zhongyuan District, Zhengzhou City, Henan Province, the PRC. Almost all the commercial space of the shopping mall had been leased out as retail shop, restaurant, entertainment and/or leisure use for investment purposes. The shopping mall offers a wide range of services and goods with over 120 tenants including a cinema, jewellery and watches, beauty, electrical appliances, international labels for fashion, lifestyle, casual wear/sport, kid's paradise and food and beverages outlets. The acquisition was completed during the year; hence, incomes of rental, management fee, operating services generated from renting out shop units are consequently recorded in the Group after the completion of the above sale and purchase agreement.

Then on 26 June 2015, a second sale and purchase agreement was entered into by an indirect wholly-owned PRC subsidiary of the Company in respect of the acquisition of the entire equity interests in 鄭州佳聰物業服務有限公司 (Zhengzhou Jiacong Property Services Company Limited) ("Jiacong") at a cash consideration of RMB218,000,000 (equivalent to approximately HK$275,949,000). Jiacong owns 164 shops in a giant theme shopping mall selling textile materials, accessories and products that is located at No. 1 Zheng Shang (Middle Section) Road, Zhongyuan District, Zhengzhou City, Henan Province, the PRC, with a gross floor area of approximately 6,928 square metres. The principal business of Jiacong is intended to hold these shops for rental purpose and agency starting from the beginning of 2016. The date of completion of this acquisition is expected to be in October 2015, which is also the targeted handover date of these shops from the developer.

CHAIRMAN'S STATEMENT

Textile products segment included sales of garment fabrics, cotton trading and dyeing process of grey fabrics. Its turnover reduced substantially when compared with that in 2014. The decrease was due to a slowdown in the PRC's textile industry as a consequence of a fall in textile and garment prices in the second half year of 2014 which was attributable to the slow recovery of the global economy and reduction of demand in both domestic and overseas textile and garment markets. Downstream customers have adopted a cautious approach in purchasing and a chain reaction has thereby occurred, which in turn affected each upper level of upstream suppliers to place orders to their own immediate level of suppliers, and eventually caused a negative impact on the sales volume and selling prices of the Group's textile products, of which, the Group is one of the upstream manufacturers in the textile industry in the PRC. A decrease in the Group's sales volume of garment fabrics and textile materials accordingly impacted its revenue along with a decline in selling prices of the Group's garment fabrics and textile materials. Therefore, just before the period ended 31 December 2014, with an aim to reduce production cost and strike for better financial performance, the Group did not designate any suppliers to produce grey fabrics based on the samples researched and developed by it and conduct their dyeing process; instead it only engaged in the dyeing process of grey fabrics provided by its long-term relationship customers and new customers. The dyeing process of grey fabrics together with the sale of textile materials comprised turnover of the Group after the period ended 31 December 2014. However, even the Group trimmed its business strategy, closed down its sales outlets in major cities of the PRC in order to further limit the Group's operating expenditures and implemented conservative and stringent cost control policies for the purpose of ensuring sufficient working capital by imposing control over operating costs and capital expenditure and strengthening accounts receivable management, the result of textile products was still not favourable. Consequently, the directors therefore decided to dispose of the textile products segment and entered into a sale and purchase agreement on 28 August 2015 so as to mitigate its financial burden and negative impact and allocate its resources on the profitable segment for its long-term advantage.

Nevertheless, by leveraging on its established strengths, experience and foresight, Art Textile continues to penetrate into property operating markets, explore other new markets potentials and increase profit margin by applying strict cost control policy. These positive outcomes will be steadily reflected in future results.

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 been in breach of the relevant environmental protection laws and regulations since its establishment.

CHAIRMAN'S STATEMENT

STRATEGIES AND OUTLOOK

The above acquisitions signify the milestone of the Group to invest in and the path of the Group to diversify its business into the property operating business. The Group in the long-term plans to upgrade its tenant segment by offering tenancies to more popular brands and will continue to diversify the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Company conducts large scale of marketing and promotion activities on the eastern and western festivals. Hence, the properties continuously generate a stable and constant stream of rental income and fairly rigid cash flow to the Group, which ultimately benefits the Company and its shareholders as a whole. An appreciation of property value in the long-term is also expected. Moreover, any possible diversification of the Group's business to the property operating segment will be always explored because of the increasing population and consuming power in the PRC and a strong market potential is foreseeable.

In response to the ongoing challenges, the Group has been focusing on maintaining sustainable financial results from its property operating business 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.

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-term as its current business operations retain hard-bitten from the current adversities.

Looking forward, the business growth of the Group is expected to maintain steady in the future. We will conserve growth by cooperating with business partners. We will continuously attempt to seek and invest resources in more appropriate property operating projects in order to differentiate our types of business so that the Company's development potential and the shareholders' return can be magnified.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to present my heartfelt thanks to the tenants, customers, suppliers, bankers, business partners and shareholders of the Company for their incessant 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, 25 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

The Group was principally engaged in the manufacture and sale of garment fabrics targeting at mid-to-high-end markets and property operation in the PRC during the current year.

The Group had 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 were used for manufacturing down wear, sportswear, household products such as sofas and curtains and men's and women's fashions. For the purpose of maintaining steady supply and better quality control of grey fabrics for the dyeing process, the Group used to designate some suppliers to produce these fabrics based on the samples researched and developed by it. The Group also processed the dyeing of grey fabrics provided by its customers starting from the end of December 2014. With an aim to reduce production cost and strike for better financial performance, the Group did not involve in the production of grey fabrics since January 2015. Instead the Group engaged in the dyeing process of grey fabrics provided by its long-term relationship customers and new customers. However, due to a number of adverse factors including slow recovery of the global economy, reduction of demand in both domestic and overseas textile markets, a more cautious purchasing approach adopted by downstream customers and declining sales price of textile products leading to a reduction of gross sales margin, a loss of textile products segment was eventually incurred for the year ended 30 June 2015 regardless of the trim of the Group's business strategy and implementation of some cost cutting policies.

Furthermore, the Group continued to diversify its operations into different kinds of business during the year and resources had been put into property operating aspects since the year ended 30 June 2014 in order to explore future prospects and develop relevant markets. On 18 December 2014, an indirect wholly-owned PRC subsidiary of the Company entered into a sale and purchase agreement with two independent third parties in connection with the acquisition of 75% equity interests in Jiachao, of which, its major asset is a shopping mall situated in Zhengzhou City in the People's Republic of China (the "PRC"), at a cash consideration of RMB591,660,000 (equivalent to approximately HK$748,937,000). Jiachao is engaged in property investment, general management and agency in the PRC. For further details of the acquisition, please refer to the announcement of the Company dated 18 December 2014 and the circular of the Company dated 30 January 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

For the financial year ended 30 June 2015, the Group recorded a turnover of approximately HK$373,849,000 (2014: HK$492,939,000), approximately 24.2% less than that in 2014. The decrease in turnover of the textile products segment, which composed of sales of garment fabrics and textile materials and dyeing process of grey fabrics, was due to a few factors, such as a slowdown in the PRC's textile industry as a consequence of a fall in textile and garment prices in the second half year of 2014 which was attributable to the slow recovery of the global economy and reduction of demand in both domestic and overseas textile and garment markets. Downstream customers have adopted a cautious approach in purchasing and a chain reaction has thereby occurred, which in turn affected each upper level of upstream suppliers to place orders to their own immediate level of suppliers, and eventually caused a negative impact on the sales volume and selling prices of the Group's textile products, of which, the Group is one of the upstream manufacturers in the textile industry in the PRC. A decrease in the Group's sales volume of garment fabrics and textile materials accordingly affected its revenue along with a decline in selling prices of the Group's garment fabrics and textile materials. In view of the retrenchment of the sale of garment fabrics and significant challenges and uncertainties in the business environment in the PRC, the Group processed the dyeing of grey fabrics before the period ended 31 December 2014 with an aim to reduce production cost and strike for better financial performance, the Group did not produce grey fabrics, instead it only engaged in the dyeing process of grey fabrics provided by its long-term relationship customers and new customers. Since then, turnover of the Group included the income from dyeing process of grey fabrics and sale of textile materials.

On the other hand, a sale and purchase agreement was entered into by the Group on 18 December 2014 in connection with the acquisition of 75% equity interests in Jiachao, of which, its major asset is a shopping mall situated in Zhengzhou City, Henan Province, the PRC. The acquisition was completed during the year; turnover of the property operating segment which was the monthly incomes of rental, management fee, operating services received and/or receivable from the tenants of the shopping mall was recorded by the Group accordingly after the completion of the sale and purchase agreement. The shopping mall had been subdivided into various units and leased out to various tenants for various lease terms under the respective tenancy agreements. The term of the tenancy agreements with the existing tenants range from one year to eighteen years. Almost all the shops in Jiachao's shopping mall were rented out as at 30 June 2015. Jiachao's shopping mall has rented to over 120 tenants who offer a wide range of services and goods including shopping, dining and entertainment, such as a cinema, jewellery and watches, beauty, electrical appliances, international labels for fashion, lifestyle, casual wear/sport, kid's paradise and food and beverages outlets.

Another sale and purchase agreement was entered into by the Group on 26 June 2015 in connection with the acquisition of entire equity interests in Jiacong, of which, its major assets is 164 shops which form part of a giant theme shopping mall selling textile materials, accessories and products in Zhengzhou City, Henan Province, the PRC. This acquisition is expected to complete in October 2015 and therefore no contribution of turnover for the year ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The gross profit margin of the Group was approximately 4.3% for the year ended 30 June 2015, which compared with that for the year ended 30 June 2014 of approximately 18.0%. The substantial decrease was due to a number of adverse factors including the slow recovery of the global economy, reduction of demand in both domestic and overseas textile markets, the downward cotton price expectations and a cautious purchasing approach adopted by downstream customers, which impaired the selling prices and sales volume of the Group's garment fabrics. The trading of textile materials and dyeing process of grey fabrics tended to have lower gross profit margin than sale of garment fabrics, therefore, the Group's gross profit margin had reduced during the year as more than half of the turnover was earned from the sale of textile materials and dyeing process of grey fabrics. In addition, some fixed production costs, such as salaries and wages and depreciation costs, increased the average cost of production which in turn also brought down the gross profit margin of textile products segment. The gross profit margin of the property operating segment tended to be higher than that of the textile products segment as its costs of sales were relatively simple based on the business nature. However, as the financial results of the property operating segment was only taken up by the Group for a few months during the year ended 30 June 2015; the whole gross profit margin was encumbered by the decrease in textile products segment in the current year.

Loss for the Year

The Group incurred loss for the current year while the Group had recorded a profit for the year ended 30 June 2014. The Group's loss incurred during the year was approximately HK$4,654,000 (profit in 2014: HK$15,402,000). The loss of the textile products segment was due to a number of adverse factors happened during the year including the slow recovery of the global economy, reduction of demand in both domestic and overseas textile markets, the downward cotton price expectations and a cautious purchasing approach adopted by downstream customers, which greatly reduced the selling prices and sales volume of the Group's textile products. All the above mentioned factors contributed to the increased cost of sales of the textile products segment and simultaneously reduced its profit margin and eventually incurred serious loss. Despite the Group's effort in improving the financial performance through measures including (i) trimming its business strategy, (ii) closing down its sales outlets in major cities of the PRC in order to further limit the Group's operating expenditures, (iii) implementing conservative and stringent cost control policies for the purpose of ensuring sufficient working capital by imposing control over operating costs and capital expenditure and strengthening accounts receivable management, the financial results of the Group's textile business was still not favourable. On the other hand, the profit of the property operating segment was mainly due to an increase in fair value of the investment properties based on an independent valuation as at 30 June 2015. Nevertheless, some expenses related to the acquisition of 75% equity interests in Jiachao and entire equity interests in Jiacong were incurred during the current year. Therefore, the profit margin decreased from approximately 3.1% for the year ended 30 June 2014 to the loss margin of 1.2% for the year ended 30 June 2015 and such decrease was also due to the same reasons mentioned above.

Other income

The Group's other income for the financial year ended 30 June 2015 was approximately HK$8,278,000 (2014: HK$5,586,000), which was approximately 48.2% more than that in 2014. Such increase was attributable to an overprovision of the PRC enterprise income tax made in the past.

Expenses

Administrative expenses amounted to approximately HK$57,895,000 (2014: HK$35,303,000), representing approximately 15.5% (2014: 7.2%) of turnover for the year ended 30 June 2015. Administrative expenses increased by approximately 64.0% when compared with that of 2014 because some related expenses for two acquisitions were incurred as well as taking up of administrative expenses of Jiachao, of which, its acquisition was completed during the year.

Selling and distribution costs amounted to approximately HK$8,977,000 (2014: HK$16,909,000), representing approximately 2.4% (2014: 3.4%) of turnover for the year ended 30 June 2015. Selling and distribution costs decreased by approximately 46.9% compared to those for the year ended 30 June 2014, which was due to the closure of the sales outlets in major cities of the PRC and lay off of a number of employees in the sales and marketing team as a consequence of the dim view and prospect of future textile industry trend.

Other expenses amounted to approximately HK$1,135,000 (2014: HK$3,232,000), representing approximately 0.3% (2014: 0.7%) of turnover for the year ended 30 June 2015. The decrease was due to streamline headcounts and resources input in the research and development department during the year as a consequence of the dim view and prospect of future textile industry trend.

Finance costs amounted to approximately HK$36,630,000 (2014: HK$7,532,000), representing approximately 9.8% (2014: 1.5%) of turnover for the year ended 30 June 2015. The substantial increase was due to the drawdown of bank loans and other borrowings during the year for settling the purchase cost of the shopping mall by Jiachao.

The carrying value of the Group's investment properties as at 30 June 2015 of approximately HK$2,645,570,000 (2014: Nil) was stated at fair value based on an independent valuation as at that date, which produced a revaluation gain of HK$101,266,000 (2014: Nil), mainly reflecting the continuous rental growth of the investment properties. The attributable net revaluation gain of HK$56,962,000 (2014: Nil), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 30 June 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS AND PROSPECTS

Due to a number of adverse factors including slow recovery of the global economy, reduction of demand in both domestic and overseas textile markets, a more cautious purchasing approach adopted by downstream customers and declining sales price of textile products leading to a reduction of gross sales margin, a serious loss was eventually incurred for the year ended 30 June 2015 regardless of the trim of the Group's business strategy and implementation of some cost cutting policies. Since these adverse situations are expected to be continued in future, the Board decided to dispose to an independent third party six wholly-owned subsidiaries which are principally engaged in the dyeing process of grey fabrics so as to mitigate its financial burden and negative impact and allocate its resources on the property operating segment for its long-term advantage.

The Group in the long-term plans to upgrade its tenant segment of the shopping malls by offering tenancies to more popular brands and will continue to diversify the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Group may conduct large scale of marketing and promotion activities so that a stable and constant stream of rental income and fairly rigid cash flow can be continuously generated to the Group. Simultaneously, the Group has been continuously implementing conservative and stringent cost control policies so as to ensure sufficient working capital by imposing control over operating costs and capital expenditure and strengthening accounts receivable management. In this regard, positive results will be expected in the future.

Jiacong owns 164 shops in the giant theme shopping mall selling textile materials, accessories and products with the targeted handover time of those shops by the end of October 2015. More caliber management and skillful employees will be recruited in the future when the rental business of Jiacong proceeds. The extensive knowledge, experience and network in the textile business will enable the Group to grasp decisive opportunities in the promotion of renting these shops; hence, more suitable tenants running profitable textile business can be pinpointed as tenants of the 164 shops of Jiacong.

The PRC's economy is expected to maintain a relatively stable growth in the next decade. Economic, financial and social reforms covering a wide range of areas will lead the economy and the society towards a more healthy and sustainable development. The PRC government's focus is on targeted control measures to ensure a moderate pace of growth while continuing its economic restructuring. By leveraging on the Group's current strategic plan and established strengths, experience and foresight, the Group continues to seize opportunities to penetrate into property operating markets, explore other new market potentials, such as property development or property agency, and increase profit margin. Furthermore, the Group intends to manage and operate the property operating segment by the current and new caliber management and competent employees of newly acquired subsidiaries.

Looking forward, the Group continues to place additional resources to realize growth momentum from the development of property operating markets. The shopping mall acquired by the Group recently are situated in Zhengzhou City and with good economic and demographic fundamentals, which enables the Group to diversify its business operations into property operating market in depth. The business growth of the Group is expected to accelerate and accordingly, the positive outcome will be gradually reflected in the future with full recovery of the worldwide economy. By continually diversifying the Group's business, the market value of the Company and the return to its shareholders will be maximized in long-term, which in return for the constant trust and support bestowed to the Company by its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had net current liabilities and total assets less current liabilities of approximately HK$27,296,000 (net current assets in 2014: HK$987,662,000) and HK$2,766,905,000 (2014: HK$1,097,517,000), respectively. The Group maintains a sound financial position by financing its operations with internally generated resources, bonds, loans and net proceeds from the Placing (as defined below). As at 30 June 2015, the Group had cash and bank deposits of approximately HK$300,990,000 (2014: HK$765,975,000). The current ratio of the Group was approximately negative 93.3% (2014: positive 795.0%).

Total equity of the Group as at 30 June 2015 was approximately HK$1,395,418,000 (2014: HK$1,076,940,000). As at 30 June 2015, the total borrowings of the Group, repayable from within 12 months to 10 years from the end of the reporting period, denominated in RMB1,066,000,000 were equivalent to HK$1,349,367,000 (2014: HK$56,962,000) and three bonds measured at amortised cost was HK$25,110,000 (one bond in 2014: HK$9,769,000). As at 30 June 2015, the gross debt gearing ratio (i.e. total borrowings and bonds/total equity) was approximately 98.5% (2014: 6.2%).

On 2 December 2014, the Company completed a placing of 208,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.335 per share to not less than six placees in accordance with the placing agreement dated 12 November 2014 (the "Placing"). The placees and their ultimate beneficial owners are independent third parties. For further details of the Placing, please refer to the announcements of the Company dated 12 November 2014 and 25 November 2014, respectively. The net proceeds from the Placing after deducting commission and Placing expenses were approximately HK$68,449,000. The Board was of the view that the Placing was in the interests and for the benefit of the Company and its shareholders as a whole because the Placing on one hand raised additional funds to the Group to support its investments in property operating projects and on the other hand had not increased the finance cost of the Group. As at 31 December 2014, all the net proceeds from the Placing had been utilized to settle part of the consideration of the acquisition of Jiachao which was incorporated in the PRC and is engaged in property investment, general management and agency in the PRC.

The Group has maintained and will continue to maintain a 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 2015, the total borrowing facilities of the Group amounted to approximately HK$1,349,367,000 (2014: HK$94,937,000), of which, all facilities (2014: HK$82,278,000) was utilized. In addition, three bonds (2014: one bond) amounted to approximately HK$25,110,000 (2014: HK$9,769,000), measured at amortised cost, was arranged with three independent third parties.

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

CAPITAL STRUCTURE

As at 30 June 2015, the share capital of the Company comprises ordinary shares only.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the current year, the Group was not subject to any significant exposure to foreign exchange rates 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.

CHARGE ON GROUP'S ASSETS

As at 30 June 2015, certain investment properties and leasehold interest in land of the Group with aggregate carrying values of approximately HK$1,149,131,000 and HK$3,657,000, respectively, were pledged to banks to secure banking facilities granted to the Group. As at 30 June 2014, certain leasehold land and buildings of the Group with aggregate carrying values of approximately HK$49,294,000 were 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.

CAPITAL EXPENDITURE

During the year ended 30 June 2015, the Group invested approximately HK$22,631,000 (2014: HK$19,195,000) in property, plant and equipment, of which 5.5% (2014: 96.5%) was used for purchase of plant and machinery, 92.8% (2014: 3.5%) for construction of auxiliary facilities, and the remaining was used for purchase of other property, plant and equipment (2014: Nil).

As at 30 June 2015, the Group had capital commitments of approximately HK$5,229,000 (2014: HK$7,716,000) in property, plant and equipment. The capital commitments for the year ended 30 June 2014 were funded by internally generated resources and bank loans.

STAFF POLICY

The Group had 439 employees altogether in the PRC and Hong Kong as at 30 June 2015. 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 46, is the Chairman of the Company and is responsible for the Group's operation and product development. Mr. Chen has over 24 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 44, is a Chief Executive Officer of the Company responsible for administration and finance of the Group. Mr. Chen has over 21 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 39, 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 21 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 61, is appointed as in 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（楊澤强）, aged 45, 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 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 45, is appointed as an Independent Non-executive Director since October 2013. Ms. Yau graduated from the University of Sydney, 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 Practicing 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 11 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 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries at 30 June 2015 are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32.

The directors do not recommend the payment of a final dividend for the year ended 30 June 2015 (2014: 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 94 of the annual report.

INVESTMENT PROPERTIES

Details of movements during the year ended 30 June 2015 in investment properties of the Group are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, construction in progress of HK$25,372,000 (2014: HK$26,528,000) was completed and transferred to plant and machinery. 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.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 30 June 2015 comprised the retained profits of HK$586,184,000 (2014: HK$11,394,000). Details of movements in reserves and changes in equity of the Company during the year are set out in note 35 to the consolidated financial statements.

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
Mr. Yang Zeqiang
Ms. Yau Lai Ying

In accordance with Articles 86 and 87 of the Articles of Association of the Company, Messrs. Chen Jinyan and Lin Ye 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 2015 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 2015. Mr. Chen Jinqing was re-appointed by the board of directors on 1 February 2015 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 2016. The service agreement for Mr. Chen Jinyan expired on 31 August 2014 and he 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 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 2015, 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 his spouse *(Note 1)*	184,550,000	14.21%
Mr. Chen Jinyan	Held by controlled corporation *(Note 2)*	296,740,000	22.85%
Mr. Chen Jinqing	Held by controlled corporation *(Note 3)*	83,000,000	6.39%

Notes:

(1) Among the 184,550,000 shares, 162,170,000 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 and 22,380,000 shares are held by Ms. Lin Lin. Mr. Chen Dong is deemed to be interested in 184,550,000 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 his 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 2015.

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 2015, 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	184,550,000	14.21%
Dresdner VPV N. V.	Investment manager	69,877,600	5.38%

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 2015.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 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 1.7.2014	Granted during the year	Exercised during the year	Outstanding at 30.6.2015
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**
				7,420,000	–	–	**7,420,000**
Employees	10.7.2008	1.8.2008 to 31.7.2018	0.358	14,300,000	–	**(2,380,000)**	**11,920,000**
	22.5.2014	22.5.2014 to 21.5.2024	0.331	100,880,000	–	**(47,620,000)**	**53,260,000**
				115,180,000	–	**(50,000,000)**	**65,180,000**
Granted Total				122,600,000	–	**(50,000,000)**	**72,600,000**

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 32 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 55% (2014: 43%) of the Group's total sales and the sales attributable to the Group's largest customer were approximately 17% (2014: 13%) of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 88% (2014: 48%) of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 34% (2014: 13%) of the Group's total purchases.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

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 2015, 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 2015.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Report on Corporate Governance Practices on pages 21 to 29 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 34 to the consolidated financial statements.

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
25 September 2015

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 2015, 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 2015.

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)*
Mr. Yang Zeqiang	*(Independent Non-executive Director)*
Ms. Yau Lai Ying	*(Independent Non-executive Director)*

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.

REPORT ON CORPORATE GOVERNANCE PRACTICES

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

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 2015, twelve Board meetings were held and the attendance of all Directors at the Board meetings was as follows:

Name of Directors	Attendance
Mr. Chen Jinyan	12/12
Mr. Chen Dong	12/12
Mr. Chen Jinqing	9/12
Mr. Lin Ye	10/12
Mr. Yang Zeqiang	12/12
Ms. Yau Lai Ying	10/12

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 2014 and the annual audit fee for the year ended 30 June 2015;
- 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.

REPORT ON CORPORATE GOVERNANCE PRACTICES

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 2015, 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 financial position of the Company and the Group and of the financial performance and cash flows of the Group for that period. The Directors ensure that the financial statements for the year ended 30 June 2015 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.

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;

REPORT ON CORPORATE GOVERNANCE PRACTICES

DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER *(Continued)*

(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, Mr. Yang Zeqiang and Ms. Yau Lai Ying. Ms. Yau Lai Ying, who is a fellow of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia, is the chairman of AC. 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;

AUDIT COMMITTEE *(Continued)*

(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.

During the financial year ended 30 June 2015, seven AC meetings were held and the attendance of its members was as follows:

Name of members	**Attendance**
Mr. Lin Ye	7/7
Mr. Yang Zeqiang	7/7
Ms. Yau Lai Ying	7/7

The following is a summary of the work performed by the AC during the year ended 30 June 2015 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;

REPORT ON CORPORATE GOVERNANCE PRACTICES

AUDIT COMMITTEE *(Continued)*

- 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 2014 and the interim review for the period ended 31 December 2014 before the Board meeting.

The Group's audited consolidated financial statements for the year ended 30 June 2015 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, Mr. Yang Zeqiang and Ms. Yau Lai Ying who is also the chairman of RC. 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 2015, there was one RC meeting and the attendance of its members was as follows:

Name of members	**Attendance**
Mr. Lin Ye	1/1
Mr. Yang Zeqiang	1/1
Ms. Yau Lai Ying	1/1

The work performed by the RC during the year ended 30 June 2015 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, Mr. Yang Zeqiang and Ms. Yau Lai Ying who is also the chairman of NC. The NC's terms of reference are posted on the websites of the Company and the Stock Exchange.

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 2015, there was one NC meeting and the attendance of its members was as follows:

Name of members	**Attendance**
Mr. Lin Ye	1/1
Mr. Yang Zeqiang	1/1
Ms. Yau Lai Ying	1/1

The NC recommended that one Executive Director, Mr. Chen Dong and one Independent Non-executive Director, Mr. Yang Zeqiang, retiring by rotation at the annual general meeting (the "AGM") held in November 2014, 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 above offered themselves for re-election at the AGM held in November 2014. 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.

REPORT ON CORPORATE GOVERNANCE PRACTICES

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 2015, the auditor's remuneration was HK$850,000.

(b) Non-audit service

The fee charged by DCC of interim review for the period ended 31 December 2014 was HK$280,000. DCC reviewed the interim financial statements and made a review conclusion. The acquisition cost charged by DCC of an aggregate of 75% equity interests in a limited liability company incorporated in the PRC with a shopping mall situated in Zhengzhou City as its principal asset was HK$650,000. Furthermore, the acquisition cost of the entire equity interests in another limited liability company incorporated in the PRC with 164 shops situated in Zhengzhou City as its principal asset was HK$600,000.

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 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 of the Board membership will be considered 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 it in order to ensure 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 and the EGM to communicate with shareholders and encourages their participation. At the AGM held in November 2014, the Chairman proposed a separate resolution in respect of each substantially separate issue and at the EGM held in March 2015, the Chairman proposed an ordinary resolution in relation to the acquisition of an aggregate of 75% equity interests in a limited liability company incorporated in the PRC. The Chairman also arranged a member of the AC and the auditor to answer questions at both meetings. Moreover, the Company provides extensive information in its annual reports, interim reports, announcements and circulars 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 2015, 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 32 to 93, which comprise the consolidated statement of financial position as at 30 June 2015 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 financial position of the Group as at 30 June 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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

25 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	NOTES	2015 HK$'000	2014 HK$'000
Turnover		**373,849**	492,939
Cost of sales		**(357,855)**	(404,154)
Gross profit		**15,994**	88,785
Other income	*8*	**8,278**	5,586
Administrative expenses		**(57,895)**	(35,303)
Selling and distribution costs		**(8,977)**	(16,909)
Other expenses		**(1,135)**	(3,232)
Fair value gain on investment properties	*17*	**101,266**	–
Finance costs	*9*	**(36,630)**	(7,532)
Profit before tax		**20,901**	31,395
Income tax expense	*10*	**(25,555)**	(15,993)
(Loss)/profit for the year	*11*	**(4,654)**	15,402
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation		**11**	–
Other comprehensive income for the year (net of income tax)		**11**	–
Total comprehensive (loss)/income for the year		**(4,643)**	15,402
Loss for the year attributable to:			
Owners of the Company		**(12,441)**	–
Non-controlling interests		**7,787**	–
		(4,654)	–
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(12,430)**	–
Non-controlling interest		**7,787**	–
		(4,643)	–
(LOSS)/EARNINGS PER SHARE	*14*		
Basic (HK cents per share)		**(0.40)**	1.48
Diluted (HK cents per share)		**(0.39)**	1.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**95,746**	91,236
Prepaid lease payments	16	**18,121**	18,619
Investment properties	17	**2,645,570**	–
Goodwill	18	**34,764**	–
		2,794,201	109,855
CURRENT ASSETS			
Inventories	19	**1,164**	12,325
Trade and other receivables	20	**76,036**	351,476
Pledged bank deposits	21	**–**	25,316
Bank balances and cash	22	**300,990**	740,659
		378,190	1,129,776
CURRENT LIABILITIES			
Trade and other payables	23	**40,296**	82,272
Tax liabilities		**–**	2,880
Secured bank and other borrowings	24	**365,190**	56,962
		405,486	142,114
NET CURRENT (LIABILITIES)/ASSETS		**(27,296)**	987,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,766,905**	1,097,517
CAPITAL AND RESERVES			
Share capital	27	**12,986**	10,406
Share premium and reserves		**1,136,588**	1,066,534
Equity attributable to owners of the Company		**1,149,574**	1,076,940
Non-controlling interests	28	**245,844**	–
Total equity		**1,395,418**	1,076,940
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**362,200**	10,808
Secured bank and other borrowings	24	**984,177**	–
Bonds	25	**25,110**	9,769
		1,371,487	20,577
		2,766,905	1,097,517

The consolidated financial statements on pages 32 to 93 were approved and authorised for issue by the board of directors on 25 September 2015 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 2015

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 July 2013	10,406	165,838	136	191,039	68,044	2,598	607,997	1,046,058	–	1,046,058
Profit for the year	–	–	–	–	–	–	15,402	15,402	–	15,402
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	15,402	15,402	–	15,402
Recognition of equity-settled share-based payment	–	–	–	–	–	15,480	–	15,480	–	15,480
At 30 June 2014 and 1 July 2014	10,406	165,838	136	191,039	68,044	18,078	623,399	1,076,940	–	1,076,940
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(12,441)**	**(12,441)**	**7,787**	**(4,654)**
Other comprehensive income for the year – Exchange difference arising on translation	**–**	**–**	**–**	**11**	**–**	**–**	**–**	**11**	**–**	**11**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**11**	**–**	**–**	**(12,441)**	**(12,430)**	**7,787**	**(4,643)**
Placing of shares	**2,080**	**67,600**	**–**	**–**	**–**	**–**	**–**	**69,680**	**–**	**69,680**
Transaction costs attributable to placing of shares	**–**	**(1,231)**	**–**	**–**	**–**	**–**	**–**	**(1,231)**	**–**	**(1,231)**
Issue of shares under employee share option plan	**500**	**23,535**	**–**	**–**	**–**	**(7,420)**	**–**	**16,615**	**–**	**16,615**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**238,057**	**238,057**
At 30 June 2015	**12,986**	**255,742**	**136**	**191,050**	**68,044**	**10,658**	**610,958**	**1,149,574**	**245,844**	**1,395,418**

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 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		**(4,654)**	15,402
Adjustments for:			
Income tax expenses recognised in profit and loss		**25,555**	15,993
Allowance for doubtful debts		**28**	123
Fair value gain on investment properties		**(101,266)**	–
Depreciation of property, plant and equipment		**18,198**	23,204
(Gain)/loss on disposal of property, plant and equipment		**(97)**	80
Release of prepaid lease payments		**498**	498
Finance costs recognised in profit or loss		**36,630**	7,532
Interest income		**(3,170)**	(5,078)
Share-based payment expense		**–**	15,480
Movements in working capital		**(28,278)**	73,234
Decrease in inventories		**11,345**	4,275
Decrease/(increase) in trade and other receivables		**325,041**	(275,119)
Decrease in trade and other payables		**(44,724)**	(74,552)
Cash generated from/(used in) operations		**263,384**	(272,162)
Income tax paid		**(3,119)**	(16,024)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**260,265**	(288,186)
CASH FLOWS FROM INVESTING ACTIVITIES			
Consideration paid for acquisition of a subsidiary		**(748,937)**	–
Purchases of property, plant and equipment		**(22,631)**	(19,195)
Placement of pledged bank deposits		**(38,354)**	(53,129)
Withdrawal of pledged bank deposits		**63,671**	75,899
Interest received		**3,170**	5,078
Proceeds on disposal of property, plant and equipment		**599**	208
Net cash inflow from acquisition of a subsidiary	*33*	**19,270**	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(723,212)**	8,861

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	NOTES	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		**63,291**	67,088
Issue of bonds		**15,340**	9,880
Issue of shares		**85,063**	–
Repayment of bank borrowings		**(103,797)**	(140,823)
Interest paid on bank and other borrowings		**(34,746)**	(6,862)
Interest paid on bonds		**(1,884)**	(780)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**23,267**	(71,497)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(439,680)**	(350,822)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		**11**	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**740,659**	1,091,481
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	22	**300,990**	740,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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 36.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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 2014.

HKFRSs 10, 12 and HKAS 27 (Amendments)	Investment Entities
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

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

HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 are described as follows:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- 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.

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

HKFRS 9 Financial Instruments *(Continued)*

The Directors anticipate that the application of HKFRS 9 in the future may have a potential impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a potential impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the full effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations *(Continued)*

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements.

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Continued)*

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for annual periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

Annual Improvements to HKFRSs 2012-2014 Cycle *(Continued)*

Any initial adjustment arising should be recognised in retained earnings at the beginning of that period. The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

New Hong Kong Companies Ordinance (Cap. 622)

The disclosure requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) will be applicable for the first time to the Company's financial year ending 30 June 2016 in accordance with the Listing Rules. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 preparation of consolidated financial statements

The Group had net current liabilities of approximately HK$27,296,000 as at 30 June 2015. Nevertheless, the directors of the Group are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that: i) the Group's ability to renew or refinance the banking facilities upon maturity; ii) continuous effort to control cost of the Group; and iii) continuous development and improvement of the Group's products and services and future cash flows to be generated from new revenue source and new businesses in property operating segment. Accordingly, the directors of the Group are of the opinion that it is appropriate to prepare the financial information on a going concern basis.

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.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

– 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 "Financial instruments: recognition and measurement", or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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.

Rental income from operating leases is recognised in profit or loss on straight-line basis over the term of relevant lease. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

Property management service income is recognised when services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

Investment properties are initially measured at cost, including transactions costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period for which they arise.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land for own use *(Continued)*

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

– 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

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

Borrowing costs

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

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Share-based payment transactions of the Company *(Continued)*

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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

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

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 2015

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including 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.

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 that are carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of 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 (see the accounting policy below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 and other borrowings and bonds) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

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.

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.

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For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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.

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 2015, the carrying amount of trade receivables is HK$7,012,000 (2014: HK$84,741,000).

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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 and other borrowings disclosed in note 24, bonds disclosed in note 25 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Loans and receivables:		
Financial assets included in trade and other receivables	**70,074**	86,561
Pledged bank deposits	**–**	25,316
Bank balances and cash	**300,990**	740,659
	371,064	852,536

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Categories of financial instruments *(Continued)*

	2015 HK$'000	2014 HK$'000
Financial liabilities		
Other financial liabilities at amortised cost:		
Trade and other payables	**40,296**	82,272
Secured bank and other borrowings	**1,349,367**	56,962
Bonds	**25,110**	9,769
	1,414,773	149,003

(b) Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, secured bank and other borrowings and bonds. 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.

Market risk

(i) Currency risk

Certain trade payables, bank balances and bonds 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% (2014: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2014: 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% (2014: 5%) change in foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

The sensitivity analysis includes USD and HKD denominated trade and other receivables/payables, bank balances and bonds, as appropriate. A positive or negative number below indicates an increase or a decrease in post-tax loss where RMB strengthen 5% (2014: 5%) against the relevant currency. For a 5% (2014: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	HKD Impact *(Note)*		**USD Impact** *(Note)*	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Profit or loss	**(241)**	124	**–**	(5)

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating-rate bank borrowings *(see note 24 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 and other borrowings and bonds, as set out in notes 21, 22, 24 and 25 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

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 (2014: 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.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 30 June 2015 would decrease/increase by HK$534,000. 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.

Credit risk

As at 30 June 2015, 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 the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has a number of counterparties and customers. However, the Group's credit risk is concentrated on certain major customers. At 30 June 2015, the five largest receivable balances accounted for approximately 46% (2014: 69%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

The Group has net current liabilities of HK$27,296,000 as at 30 June 2015 (2014: net current assets of HK$987,662,000). 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 and other borrowings and ensures compliance with loan covenants.

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 30.6.2015 HK$'000
2015								
Non-derivative financial liabilities								
Trade and other payables		40,296	–	–	–	–	40,296	40,296
Bank and other borrowings								
– fixed-rate	16.25	–	17,699	287,210	202,546	–	507,455	481,013
– floating-rate	6.15	4,450	17,708	103,238	500,368	512,604	1,138,368	868,354
Bonds		–	–	–	10,140	27,354	37,494	25,110
		44,746	35,407	390,448	713,054	539,958	1,723,613	1,414,773

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity risk tables (Continued)

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts at 30.6.2014
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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

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 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, textile materials and dyeing process of grey fabrics, and from property operating for the year ended 30 June 2015.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

7. SEGMENT INFORMATION *(Continued)*

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 2015 and 30 June 2014. The total amount of turnover from the first customer was HK$63,834,000 (2014: HK$63,986,000) and from the second customer was HK$43,079,000 (2014: HK$60,623,000) and all of them were from textile products segment.

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

	Textile Products HK$'000	**Property Operating HK$'000**	**Total HK$'000**
Year ended 30 June 2015			
Turnover	**352,353**	**21,496**	**373,849**
Segment results	**(21,775)**	**49,375**	**27,600**
Income tax expense			**(25,555)**
Central administration costs			**(6,699)**
Loss for the year			**(4,654)**
Depreciation	**18,168**	**27**	**18,195**

	Textile Products HK$'000	Property Operating HK$'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

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.

8. OTHER INCOME

	2015	2014
	HK$'000	HK$'000
Bank interest income	**3,170**	5,078
Car parking income	**962**	–
Gain on disposal of property, plant and equipment	**294**	–
Reversal of overprovision of other payables	**3,010**	–
Exchange gain	**638**	–
Others	**204**	508
	8,278	5,586

9. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interest on		
– Bank and other borrowings wholly repayable within five years	**21,193**	6,862
– Bank and other borrowings wholly repayable over five years	**13,553**	–
– Bonds	**1,884**	670
	36,630	7,532

10. INCOME TAX EXPENSE

	2015	2014
	HK$'000	HK$'000
Income tax recognised in profit or loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	**239**	13,330
– Under provision in the prior years	**–**	698
Deferred tax *(note 26)*	**25,316**	1,965
	25,555	15,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

10. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax was calculated at 16.5% (2014: 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 26, no deferred tax (2014: HK$1,965,000) 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 profit or loss and other comprehensive income as follows:

	2015	2014
	HK$’000	HK$’000
Profit before tax	**20,901**	31,395
Tax at the income tax rate of 25% (2014: 25%)	**5,225**	7,849
Tax effect of expenses not deductible for tax purpose	**3,394**	5,273
Tax effect of income not taxable for tax purpose	**(165)**	(4)
Tax effect of deductible temporary differences not recognised	**17,101**	212
Withholding tax on undistributed profits of subsidiaries in the PRC	**–**	1,965
Underprovision in the previous years	**–**	698
Tax charge for the year	**25,555**	15,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

11. (LOSS)/PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– directors' emoluments	3,854	4,122
– other staff's salaries and other benefits	20,822	24,404
– other staff's retirement benefit scheme contributions	3,541	4,116
– share-based payment	–	15,480
	28,217	48,122
Impairment of doubtful debts	28	123
Auditor's remuneration	850	750
Depreciation of property, plant and equipment	18,198	23,204
Exchange loss/(gain), net	(624)	(23)
(Gain)/loss on disposal of property, plant and equipment	(97)	80
Release of prepaid lease payments	498	498
Research and development costs	896	3,024

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the six (2014: eight) directors were as follows:

(a) Directors' emoluments

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

2015

	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 *(Note)*	–	600	18	618
Mr. Chen Jinqing	–	1,200	22	1,222
Mr. Lin Ye	36	–	–	36
Mr. Yang Zeqiang	36	–	–	36
Ms. Yau Lai Ying	120	–	–	120
	192	3,600	62	3,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

(a) Directors' emoluments *(Continued)*

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

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 2015 included three (2014: three) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining two (2014: two) individuals are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**1,409**	1,464
Retirement benefit scheme contributions	**29**	37
	1,438	1,501

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

13. DIVIDENDS PAID

No dividend was paid or proposed for the year ended 30 June 2015 nor has any dividend been proposed since the end of the reporting period (2014: Nil).

14. (LOSS)/EARNINGS PER SHARE

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

	2015 **HK$'000**	2014 HK$'000
(Loss)/earnings:		
(Loss)/profit for the year attributable to the owners of the Company and (loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	**(4,654)**	15,402

	2015 **'000**	2014 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,175,296**	1,040,602
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	**26,023**	3,168
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**1,201,319**	1,043,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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	142,868	166,232	1,262	6,465	25,865	342,692
At 1 July 2013						
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
Exchange realignment						
Additions	**–**	**–**	**–**	**81**	**22,550**	**22,631**
Acquisition through business combination	**–**	**–**	**–**	**659**	**–**	**659**
Transfer	**–**	**25,372**	**–**	**–**	**(25,372)**	**–**
Disposal	**–**	**(6,213)**	**(957)**	**(11)**	**–**	**(7,181)**
At 30 June 2015	**167,589**	**179,024**	**2,036**	**7,445**	**15,006**	**371,100**
ACCUMULATED DEPRECIATION						
At 1 July 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
Acquisition through business combination	**–**	**–**	**–**	**81**	**–**	**81**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**
Provided for the year	**7,995**	**9,480**	**347**	**376**	**–**	**18,198**
Eliminated on disposals	**–**	**(5,719)**	**(957)**	**(4)**	**–**	**(6,680)**
At 30 June 2015	**141,079**	**127,561**	**853**	**5,861**	**–**	**275,354**
CARRYING VALUES						
At 30 June 2015	**26,510**	**51,463**	**1,183**	**1,584**	**15,006**	**95,746**
At 30 June 2014	34,505	36,065	1,530	1,308	17,828	91,236

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 2015, no buildings of the Group were pledged to banks to secure banking facilities granted to the Group (2014: HK$31,088,000).

16. PREPAID LEASE PAYMENTS

	2015 **HK$'000**	2014 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold interest in land under medium-term leases in the PRC	**18,619**	19,117
Analysed for reporting purposes as:		
Non-current assets	**18,121**	18,619
Current assets *(note 20)*	**498**	498
	18,619	19,117

At 30 June 2015, certain leasehold interest in land with carrying values of HK$3,657,000 (2014: HK$18,206,000) were pledged to banks to secure banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

17. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Fair value		
Acquired from acquisition of a subsidiary *(note 33)*	2,544,304	–
Fair value gain on investment properties	101,266	–
At 30 June 2015	2,645,570	–
Unrealised gain on property valuation included in profit or loss	101,266	–

The carrying value of investment properties shown above comprises properties situated on:

	2015 HK$'000	2014 HK$'000
Land under medium-term leases in the PRC	2,645,570	–

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

At 30 June 2015, the Group's investment properties included certain lands of approximately HK$1,649,505,000 for which the Group were in the process of obtaining the relevant land use rights certificates. The directors do not foresee any major encumbrances to complete the transfer of the legal title of the above-mentioned land use rights to the Group.

The fair value of the Group's investment properties as at 30 June 2015 as well as the date of acquisition of a subsidiary *(see note 33)* have been arrived at on the basis of a valuation carried out on the respective dates by International Valuation Limited ("The Valuer"), an independent qualified professional valuer not connected with the Group. The Valuer has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties were valued individually, on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards. The fair value was arrived at by reference to comparable sales transactions available in the relevant market and where appropriate, investment approach by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

In estimating the fair value of the investment properties, the directors of the Company has considered that the highest and best use of the properties is their current use upon the application of HKFRS 13 "Fair value measurement". There has been no change of the valuation technique during the year.

17. INVESTMENT PROPERTIES *(Continued)*

All of the Group's investment properties are located in the PRC and classified as Level 3 in the fair value hierarchy.

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

At the end of the reporting period, the management of the Group works closely with the Valuer to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

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

Description	Fair value as at 30 June 2015	Fair value as at 30 June 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial – shopping mall	2,645,570,000	N/A	Combination of capitalisation method and comparison method	1) reversionary yield derived from market rent and price	2015: 6.25%, 7.50% & 13.00% p.a. (2014: Nil)	The higher the reversionary yield, the lower the fair value and vice versa
				2) capitalisation rate	2015: 5.40% p.a. (2014: Nil)	The higher the capitalisation rate, the lower the fair value and vice versa
				3) bulk discount rate	2015: 5.00% (2014: Nil)	The higher the bulk discount rate, the lower the fair value and vice versa

The Group as lessor

Property rental income, management fee income and operating service income earned during the year was HK$21,496,000 (2014: Nil). All properties have committed tenants ranging from the next 1 to 18 years have an option to renew the lease after that date at which time all terms are renegotiated.

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

	2015 HK$'000	2014 HK$'000
Within one year	**74,108**	–
In the second to fifth years inclusive	**268,310**	–
Over five years	**783,699**	–
	1,126,117	–

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For the year ended 30 June 2015

17. INVESTMENT PROPERTIES *(Continued)*

The Group as lessor *(Continued)*

At 30 June 2015, certain investment properties of the Group with aggregate carrying values of HK$1,149,131,000 (2014: Nil) were pledged to a bank to secure banking facilities granted to the Group.

18. GOODWILL

	Goodwill
	HK$'000
Cost	
Additional amounts recognised from business combinations occurring during the year *(see note 33)*	34,764

Goodwill is accounted for in accordance with the Group's accounting policies as set out in note 3. As at 30 June 2015, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the property business is based on its value in use.

The recoverable amounts is determined based on value in use calculation which use cash flow projection based on financial budgets approved by the directors covering a five-year period and a discount rate of 8.2% per annum (2014: N/A). Cash flows beyond that five-year period have been extrapolated using a constant growth rate of 4.0% (2014: N/A) per annum.

The key assumptions for the value in use calculations are those regarding the discount rate, growth rate and expected changes to revenue and direct costs during the year. The forecast is discounted using a discount rate of 8.2% (2014: N/A). The discount rate was determined with reference to weighted average cost of capital of similar companies in the industry and adjusted for specific risks associated with property operation. The growth rate does not exceed the long-term average industry growth forecasts. Changes in revenue and direct costs are based on past practices and the management's expectations of future changes in the market. The Group considers no impairment loss is necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

19. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**1,164**	2,250
Work in progress	–	5,912
Finished goods	–	4,163
	1,164	12,325

20. TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**7,896**	85,597
Less: Allowance for doubtful debts	**(884)**	(856)
	7,012	84,741
Deposits to suppliers	**13,336**	263,635
Deposits paid for acquisition of a subsidiary *(note 33)*	**55,190**	–
Others	–	2,602
Prepaid lease payments – current portion *(note 16)*	**498**	498
Total trade and other receivables	**76,036**	351,476

At 30 June 2015, no trade receivables of the Group were denominated in USD (2014: 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:

	2015 HK$'000	2014 HK$'000
0 – 90 days	**6,435**	77,078
Over 90 days	**577**	7,663
Trade receivables	**7,012**	84,741

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. 92% (2014: 91%) of the trade receivables that are neither past due nor impaired have good credit rating under internal credit assessment adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$577,000 (2014: HK$7,663,000) 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 (2014: 0 to 60 days) for the year ended 30 June 2015.

Ageing of trade receivables which are past due but not impaired

Overdue by:	**2015 HK$'000**	2014 HK$'000
1 – 60 days	**–**	1,972
61 – 90 days	**–**	3,963
Over 90 days	**577**	1,728
Total	**577**	7,663

The Group has provided an impairment loss of HK$831,000 for the year ended 30 June 2015 (2014: HK$123,000). The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	**856**	733
Impairment loss recognised on receivables	**831**	123
Reversal of impairment loss recognised	**(803)**	–
Exchange realignment	**–**	–
Balance at end of the year	**884**	856

21. 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% per annum for the year ended 30 June 2014 and denominated in the functional currency of the relevant group entities.

22. 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% (2014: 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:

	2015 **HK$'000**	2014 HK$'000
USD	**156**	159
HKD	**29,929**	7,291

23. TRADE AND OTHER PAYABLES

	2015 **HK$'000**	2014 HK$'000
Trade payables	**3,521**	23,337
Bill payables	**–**	50,633
Other payables	**36,775**	8,302
	40,296	82,272

The average credit period on trade payables was 45 days (2014: 45 days) for the year ended 30 June 2015. The average credit period on bill payables ranged from 180 days to 365 days for the year ended 30 June 2014.

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

	2015 **HK$'000**	2014 HK$'000
0 – 90 days	**3,425**	22,570
Over 90 days	**96**	51,400
Trade and bill payables	**3,521**	73,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

24. SECURED BANK AND OTHER BORROWINGS

	2015 HK$'000	2014 HK$'000
Carrying amount of bank and other borrowings that are		
wholly repayable within one year	**365,190**	56,962
wholly repayable from one to five years	**533,544**	–
wholly repayable over five years	**450,633**	–
	1,349,367	56,962

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

	2015 HK$'000	2014 HK$'000
Fixed-rate borrowings	**481,013**	56,962
Floating-rate borrowings	**868,354**	–
	1,349,367	56,962

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

	2015	2014
Effective interest rate:		
Fixed-rate borrowings	**7.56% to 17%**	6.00% to 7.80%
Floating-rate borrowings	**6.15%**	N/A

The Group's secured bank and other 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) certain investment properties as set out in note 17;

(iv) pledged bank deposits as set out in note 21;

(v) cross guarantee between fellow subsidiaries; and

(vi) guarantee from two independent third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

25. BONDS

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 cost of HK$120,000. The bond is interest bearing at 8.00% per annum, unsecured and repayable on the seventh anniversary of the date of issue. The bond was initially recognised at HK$9,862,000 less issuing cost of HK$120,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.33% (2014: 8.33%) per annum.

On 13 August 2014, the Company issued two unlisted and non-transferable bonds at face value of HK$5,340,000 and HK$10,000,000 to two independent third parties. The bonds are interest bearing at 8.00% per annum, unsecured and repayable on the seventh and half anniversary of the respective date of issue. The bonds were initially recognised at HK$15,309,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.05% (2014: Nil) per annum.

During the year, interest on the bonds were repaid by the Company at the total consideration of approximately HK$1,883,000 (2014: HK$780,000).

26. DEFERRED TAX LIABILITIES

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

	Fair Value adjustment on investment properties HK$'000	**Undistributable profits of PRC's subsidiaries** HK$'000	**Total** HK$'000
At 1 July 2013	–	8,843	8,843
Charge to profit or loss	–	1,965	1,965
At 30 June 2014 and 1 July 2014	–	10,808	10,808
Upon fair value adjustment on acquisition of a subsidiary	326,076	–	326,076
Charge to profit or loss	25,316	–	25,316
At 30 June 2015	**351,392**	**10,808**	**362,200**

Under the EIT Law of the PRC, certain subsidiaries are entitled to a withholding tax at the rate of 5% for dividend payments for the year ended 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

27. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each, at 1 July 2013, 30 June 2014 and 30 June 2015	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each, at 1 July 2013, 30 June 2014 and 1 July 2014	1,040,602,583	10,406
Exercise of share options	50,000,000	500
Issue of new shares *(Note)*	208,000,000	2,080
At 30 June 2015	**1,298,602,583**	**12,986**

Note: Pursuant to the placing agreement dated 12 November 2014, 208,000,000 new ordinary shares of the Company of HK$0.01 each were issued to several independent third parties by placing at a price of HK$0.335 per share on 2 December 2014.

28. NON-CONTROLLING INTERESTS

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	–	–
Share of loss for the year	7,787	–
Non-controlling interests arising from acquisition of a subsidiary *(note 33)*	238,057	–
Balance at end of the year	245,844	–

29. 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-caliber 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

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 72,600,000 (2014: 122,600,000), representing approximately 5.59% (2014: 11.78%) 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.

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For the year ended 30 June 2015

29. 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 1.7.2013	Granted during the year	Exercised during the year	Outstanding at 30.6.2014	Granted during the year	Exercised during the year	Outstanding at 30.6.2015
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	–	–	3,120,000
				4,300,000	3,120,000	–	7,420,000	–	–	7,420,000
Employees	10.7.2008	1.8.2008 to 31.7.2018	0.358	14,300,000	–	–	14,300,000	–	(2,380,000)	11,920,000
	22.5.2014	22.5.2014 to 21.5.2024	0.331	–	100,880,000	–	100,880,000	–	(47,620,000)	53,260,000
				14,300,000	100,880,000	–	115,180,000	–	(50,000,000)	65,180,000
Granted Total				18,600,000	104,000,000	–	122,600,000	–	(50,000,000)	72,600,000
Exercisable at year end							122,600,000			72,600,000

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

	2015 Number of share options	2015 Weighted average exercise price HK$	2014 Number of share options	2014 Weighted average exercise price HK$
Outstanding at the beginning of the year	**122,600,000**	**0.335**	18,600,000	0.358
Grant during the year	**–**	**–**	104,000,000	0.331
Exercised during the year	**(50,000,000)**	**0.335**	–	–
Outstanding at the end of the year	**72,600,000**	**0.337**	122,600,000	0.335
Exercisable at the end of the year	**72,600,000**	**0.337**	122,600,000	0.335

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For the year ended 30 June 2015

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

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

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 7.60 years (2014: 9.02 years) and the exercise prices range from HK$0.331 to HK$0.358 (2014: HK$0.331 to HK$0.358).

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. No expense is recognised for the year arising from share-based payment transactions (2014: HK$15,480,000).

30. OPERATING LEASE COMMITMENTS

The Group as lessee

	2015 HK$'000	2014 HK$'000
Minimum lease payments paid under operating leases during the year in respect of rented premises	**1,498**	2,286

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For the year ended 30 June 2015

30. 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:

	2015 **HK$'000**	2014 HK$'000
Within one year.	**492**	1,644
In the second to fifth year inclusive	**855**	853
Over five years	**–**	–
	1,347	2,497

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 (2014: 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.

31. CAPITAL COMMITMENTS

	2015 **HK$'000**	2014 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:		
– leasehold improvement	**753**	–
– plant and machinery	**4,476**	7,716
	5,229	7,716

32. RELATED PARTY TRANSACTIONS

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

	2015 **HK$'000**	2014 HK$'000
Short-term benefits	**3,792**	4,057
Share-based payment	**–**	465
Retirement benefit scheme contributions	**62**	65
	3,854	4,587

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

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For the year ended 30 June 2015

33. ACQUISITION OF A SUBSIDIARY

On 1 April 2015, the Group acquired 75% equity interest in a company from two independent third parties, of which the principal activity of its subsidiary is property investment, general management and agency, for a cash consideration of HK$748,937,000. This subsidiary was acquired so as to diversify the Group's operations into different business. Details of the above are set out in the circular of the Company dated 30 January 2015. This acquisition has been accounted for using the purchase method.

	HK$'000
Net assets acquired:	
Investment properties	2,544,304
Property, plant and equipment	578
Inventories	184
Trade and other receivables	49,629
Bank balances and cash	19,270
Trade and other payables	(2,749)
Secured bank and other borrowings	(1,332,911)
Deferred tax liabilities recognised upon fair value adjustment	(326,075)
Net assets	952,230
Less: Non-controlling interest	(238,057)
	714,173
Total consideration satisfied by cash	
Net cash outflow arising on acquisition:	
Cash consideration paid	748,937
Bank balances and cash acquired	(19,270)
	729,667

Acquisition related costs amounting to HK$2,347,000 has been excluded from the consideration transferred and have been recognised as an expenses in the consolidated statement of profit or loss and other comprehensive income.

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For the year ended 30 June 2015

34. EVENTS AFTER REPORTING PERIOD

During the year, the Group entered a sale and purchase agreement (the "Sale and Purchase Agreement") with an independent third party under which the Group has conditionally committed to acquire entire equity interests of a target company incorporated in the PRC that is engaged in property operating in the PRC. The purchase consideration is RMB218,000,000 (equivalent to approximately HK$275,949,000) which is to be satisfied by cash and subject to adjustment for repayment of the shareholder's loan. Completion of the acquisition is conditional upon fulfilment of all the conditions precedent under the Sale and Purchase Agreement. As at 30 June 2015, a refundable deposit of 20% of the consideration, being RMB43,600,000 (equivalent to approximately HK$55,190,000) had been paid by the Group. Since the acquisition is still in progress, the Group is unable to measure any possible goodwill or gain from bargain purchase as at the date of this report. Besides, the directors considered that it is not practicable to disclose the financial information of the target company at this stage. Details of the above are set out in the announcement of the Company dated 26 June 2015 and the circular of the Company dated 20 July 2015.

On 31 August 2015, the "Trading Halt" announcement was published by the Company pending the release of an announcement in relation to a very substantial disposal of the Company. On 9 September 2015, the "Holding Announcement" was further published by the Company in relation to the above very substantial disposal. Details of the above are set out in the announcements of the Company dated 31 August 2015 and 9 September 2015.

35. FINANCIAL INFORMATION OF THE COMPANY

	NOTES	**2015 HK$'000**	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**11**	9
Investments in subsidiaries	*36*	**172,770**	172,770
		172,781	172,779
CURRENT ASSETS			
Trade and other receivables		**285**	285
Amounts due from subsidiaries	*36*	**931,104**	273,729
Bank balances and cash		**27,671**	7,066
		959,060	281,080
CURRENT LIABILITIES			
Trade and other payables		**3,560**	773
Amount due to a subsidiary	*36*	**44,746**	44,746
		48,306	45,519
NET CURRENT ASSETS		**910,754**	235,561
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,083,535**	408,340
CAPITAL AND RESERVES			
Share capital	*27*	**12,986**	10,406
Share premium and reserves		**1,045,439**	388,165
Equity attributable to owners of the Company *(Note)*		**1,058,425**	398,571
NON-CURRENT LIABILITY			
Bonds	*25*	**25,110**	9,769
		1,083,535	408,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

35. 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 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 and 1 July 2014	10,406	165,838	172,750	20,105	18,078	11,394	398,571
Profit for the year	**–**	**–**	**–**	**–**	**–**	**574,790**	**574,790**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**574,790**	**574,790**
Placing of shares	**2,080**	**67,600**	**–**	**–**	**–**	**–**	**69,680**
Transaction costs attributable to placing of shares	**–**	**(1,231)**	**–**	**–**	**–**	**–**	**(1,231)**
Issue of shares under employee share option plan	**500**	**23,535**	**–**	**–**	**(7,420)**	**–**	**16,615**
At 30 June 2015	**12,986**	**255,742**	**172,750**	**20,105**	**10,658**	**586,184**	**1,058,425**

36. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30 June 2015 and 2014 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 2015 %	Directly 2014 %	Indirectly 2015 %	Indirectly 2014 %	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**	100	Investment holding
Fuzhou Huaguan Knitting and Sprining Co., Ltd. ("Fuzhou Huaguan")*	PRC	RMB70,000,000	**–**	–	**100**	100	Dyeing process of grey fabrics, 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 2015

36. 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
			2015 %	2014 %	**2015 %**	2014 %	
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**	100	Investment holding
Zhengzhou Changdun Assets Management Co., Ltd ("Zhengzhou Changdun")*	PRC	HK$1,500,000	**–**	–	**100**	–	Investment holding
Zhengzhou Jiachao Property Services Co., Ltd ("Zhengzhou Jiachao")**	PRC	RMB20,000,000	**–**	–	**75**	–	Property operating

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

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

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				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Turnover	902,658	2,106,147	1,430,025	492,939	**373,849**
Profit/(loss) for the year	7,338	4,764	121,873	15,402	**(4,654)**

ASSETS AND LIABILITIES

	As at 30 June				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Total assets	2,486,692	2,711,010	1,347,297	1,239,631	**3,172,391**
Total liabilities	(1,599,798)	(1,796,593)	(301,239)	(162,691)	**(1,776,973)**
Equity attributable to owners of the Company	886,894	914,417	1,046,058	1,076,940	**1,395,418**