TOP FORM
INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 333

Annual Report 2021

About Top Form

Top Form International Limited (the "Company") is a leading international intimate apparel manufacturer listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 333). The Company and its principal subsidiaries (collectively "Top Form" or the "Group") employs over 7,000 employees across China, Thailand and Cambodia, with our headquarters in Hong Kong. We provide end-to-end service, from material sourcing to finished garments, and our product category ranges from intimate apparel to functional sports bras.

OUR VISION

To be the leading international apparel partner, from ideation to delivery, driven by insights and built on sustainable operations.

OUR MISSION

We strive to make a lasting positive impact through our actions, our relationships and the quality work we do.

OUR VALUES

Integrity
"Can Do" Attitude
Accountability
Courage
Curious & Creative
Care & Respect
Collaborative

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Ms. Leung Churk Yin, Jeanny
Mr. Leung Ying Wah, Lambert
Mr. Lin Sun Mo, Willy

AUDIT COMMITTEE

Mr. Leung Ying Wah, Lambert *(Chairman)*
Ms. Leung Churk Yin, Jeanny
Mr. Lin Sun Mo, Willy

COMPENSATION COMMITTEE

Mr. Lin Sun Mo, Willy *(Chairman)*
Mr. Herman Van de Velde
Ms. Leung Churk Yin, Jeanny
Mr. Leung Ying Wah, Lambert

NOMINATION COMMITTEE

Mr. Leung Ying Wah, Lambert *(Chairman)*
Mr. Wong Kai Chi, Kenneth
Mr. Herman Van de Velde
Ms. Leung Churk Yin, Jeanny
Mr. Lin Sun Mo, Willy

COMPANY SECRETARY

Mr. Pun Chi Wa

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

7/F, Port 33,
33 Tseuk Luk Street,
San Po Kong, Kowloon,
Hong Kong

AUTHORISED REPRESENTATIVES

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

PRINCIPAL BANKERS

Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITOR

KPMG
Public Interest Entity Auditor
registered in accordance with the
Financial Reporting Council Ordinance

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

333

WEBSITE

www.topformbras.com

Chairman's statement

Dear Shareholders,

The fiscal year in review has been a continuation of the extraordinary period of time we live in since the start of the pandemic in the spring of 2020. Over the last 12 months, the world has witnessed major challenges, from restrictive and widespread lockdowns to health crisis and tragedy of varying degrees, we are still struggling through what are the prolonged consequences of the pandemic.

While the operating environment and supply chain continues to suffer from frequent shocks such as sporadic suspension of work brought on by lockdowns, delays and congestions at ports, logjam of containers leading to global shortage, and significant increase in freight costs, Top Form recorded an encouraging year-over year growth of 16% and achieved an annual sales of HK1.43 billion as demand for our products and capacity continue to rebound strongly.

In view of this, the Group has taken proactive steps during the year to improve the liquidity and strengthen the balance sheet so as to allow the Group to weather the crisis and also support the business growth. In September 2020, the Group disposed a property which was previously used by the Group as warehouse and office premises for HK$28 million. In February 2021, the Group successfully completed the rights issue and raised HK$40.4 million for the continued investment in seamless business and new manufacturing capacity in the region. I would like to thank the support from our long term shareholders on these matters.

In addition, considering the latest development of the political situation in Myanmar, the Group has temporarily suspended our operations in Myanmar after the last customer order was shipped out in June 2021. We believe this is in the best interest of our employees and customers. We will closely monitor the situation and find a right time to restart the operation as we believe in the prospect of Myanmar to fulfill our long term strategic goal of manufacturing diversification.

Though critical actions and strict controls we have taken over the past 18 months have helped us weathered the most dramatic period of the pandemic, Top Form continues to make strides in transforming and growing our business while adapting to the immense changes happening in global trade and our operating environment. Our growth during these very tested times has been fueled by our exceptional people who pulled off this feat through their dedication, resilience and teamwork, while safeguarding the Group's performance and strategic directions. Moreover, I am pleased to see the latest product innovation of Top Form which can swiftly respond to the changing market needs, showcasing the gist of teamwork, an invaluable asset of Top Form.

Finally, as we close the fiscal year, I would like to express my appreciation to our management team for providing a steady hand during this turbulent time, our passionate and dedicated staff for their hard work and our stakeholders for their contributions, partnership and support in the past year. I am fully confident that Top Form will emerge stronger through these choppy times ahead and I look forward to a brighter future over the coming years.

Wong Chung Chong
Chairman

14 September 2021

Management discussion and analysis

BUSINESS REVIEW

During Fiscal 2021, Top Form continues to manage through major challenges brought on by the effect of COVID-19.

Adjusting from the initial shock of COVID-19 in the spring of 2020, the Group started this fiscal year with our worst quarter in recent memory where a significant portion of our capacity was lost or suspended due to country lock down, and suspension and delay of customer orders. Through the year, as we witnessed one of the fastest recovery from global recession driven by the massive quantitative easing from all the major economies, unprecedented worker protection program in the U.S. and Europe, and also the roll out of vaccine, our major markets began opening up from lock down and demand surged from our major customers in the U.S. and Europe, with particular hot demand in our seamless products.

While the global consumer demand rebounded strongly from the pandemic by early fall of 2020, the now damaged global supply chain has been unable to flex back up to meet this surge. During the year, Top Form has had to manage through major disruptions and turmoil in the supply chain and operating environment, which included a global shortage of containers driven by logjams in major ports causing significant delays in material shipment and scheduled customer delivery, a much higher freight cost (with increase of more than 100% from pre-pandemic level!), and sporadic closure of manufacturing lines due to COVID-19 infection, all leading to significant increase of our operating costs.

As the pandemic still rages, geopolitical uncertainty also presented significant challenges to the Group during the fiscal year. Over the past twelve months, the Group continued to manage the additional tariff stemming from the Sino U.S. trade war that began in 2019 and we expect this tariff regime to remain in place for the foreseeable future. In February of 2021, the Group's strategic expansion of our manufacturing footprint was dealt a blow when a military coup was announced in the Union of Myanmar. Over the past two years, Top Form has been steadily building up a plant as well as grooming a work force in the border town of Mayawadee, which is strategically located close to our Thailand plant in Maesot. Our plan leveraged on the strategic location, our experience in managing a large Burmese workforce and a competitive labor cost Myanmar offers. In June 2021, given the political uncertainty in the country, the Group decided to temporary suspend our Myanmar operations as we finished the last shipment of customer order. We believed this is in the best interest of our employees and customers.

The Group has taken proactive steps during the year to improve the liquidity and strengthen the balance sheet so as to allow the Group to weather the crisis and also support the business growth. In September 2020, the Group disposed a property which was previously used by the Group as warehouse and office premises for HK$28 million. In February 2021, the Group successfully completed the rights issue and raised HK$40.4 million for the continued investment in seamless business and new manufacturing capacity in the regions.

During the year, in monetary terms, 75% of our sales were to the U.S. market whilst the sales to the EU represented 15% and the rest of the world accounted for 10%. From the supply side, the overseas manufacturing facilities in Southeast Asia accounted for 67% of the global production output whilst China accounted for the remaining 33% during the year.

FINANCIAL REVIEW

Revenue

For the year ended 30 June 2021, the revenue of the Group increased by 16% to HK$1,429 million from HK$1,237 million of sales in fiscal 2020. This increase in revenue was mainly driven by the strong demand of seamless products from our major customers in the U.S., onboarding of new customers and also recovery of sales to European customers.

Gross Profit

Gross profit increased from HK$180.3 million to HK$238.0 million during the year with gross profit margin increased from 15% to 17%. The increase in gross profit was mainly due to higher sales, and improved customer and product mix.

Management discussion and analysis

Other Net Income

Other net income increased from HK$8.8 million to HK$56.6 million during the year. The increase was mainly attributable to the HK$28 million sales proceeds from the disposal of property in Hong Kong, HK$6.7 million anti-pandemic subsidies received by the Company's subsidiaries through Hong Kong Government's Employer Support Scheme, and HK$3.7 million gain on revaluation of investment properties as compared with HK$5.3 million loss on revaluation of investment properties in fiscal 2020.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprised of freight and transportation costs, employee benefits of sales and sales support personnel, and customer sample costs. The Group's selling and distribution expenses amounted to HK$60.1 million for the year ended 30 June 2021, against HK$39.7 million for the year ended 30 June 2020. The significant increase in selling & distribution expenses was mainly driven by the freight costs as a result of persistent and severe disruptions caused by COVID-19.

General and Administrative Expenses

The Group's general and administrative expenses amounted to HK$219.3 million for the year ended 30 June 2021, against HK$225.3 million for the year ended 30 June 2020. The decrease in general and administrative expenses was mainly attributable to cost reduction measures undertaken by the management at the onset of pandemic.

Finance Costs

The Group's finance costs mainly represent interest expenses on borrowings, account receivables factoring costs and lease liabilities. The finance costs increased from HK$5.5 million for the year ended 30 June 2020 to HK$6.8 million for the year ended 30 June 2021. The increase in finance costs was primarily driven by the higher sales.

Profit for the year

The Group recorded a profit after tax of HK$7.1 million for the year ended 30 June 2021 as compared with a net loss of HK$77.5 million for the year ended 30 June 2020.

FINANCIAL POSITION

The Group's bank balances and cash was HK$92.2 million as at 30 June 2021 (at 30 June 2020: HK$122.9 million) whilst total bank borrowings was HK$88 million (at 30 June 2020: HK$97.4 million) and gearing ratio was 24.7% (at 30 June 2020: 31.30%). As at 30 June 2020 and 30 June 2021, the Group did not have assets pledged for bank borrowings.

The Group strives to improve the working capital management and focus on the overall cash conversion cycle days which are calculated by adding the inventory turnover days and receivables turnover days and subtracting the payables turnover days. For the year ended 30 June 2021, the cash conversion cycle days were 24 days as compared to 37 days in previous year.

	As at 30 June 2021 (Days)	As at 30 June 2021 (Days)
Inventory turnover days	**67**	61
Receivables turnover days	**31**	47
Payables turnover days	**74**	71
Cash conversion cycle days	**24**	37

The cash conversion cycle days decreased from 37 days to 24 days. The increase in inventory turnover days was offset by the decrease in receivables turnover days.

Capital expenditure during the year amounted to HK$34.2 million of which the majority was for the expansion of overseas factory capacity and also the purchase of additional santoni machines for seamless tube manufacturing.

FOREIGN EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

REMUNERATION POLICY

As at 30 June 2021, the Group had employed approximately 7,681 employees (30 June 2020: approximately 7,406 employees).

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

RIGHTS ISSUE

On 19 February 2021, the Company allotted and issued 86,015,050 new ordinary shares of the Company to the shareholders of the Company (the "Shareholders") on the basis of two rights shares for every five shares of the Company (the "Shares") in issue at the subscription price of $0.50 per rights share (the "Rights Issue"). The net proceeds from the Rights Issue after deducting the expenses were approximately HK$40.4 million. The number of issued ordinary shares of the Company was 301,052,675 shares upon completion of the Rights Issue on 19 February 2021.

Further details of the Rights Issue were set out in the Company's announcements dated 4 November 2020, 21 December 2020, 12 January 2021, 10 February 2021 and 18 February 2021, the circular of the Company dated 9 December 2020 and the prospectus of the Company dated 25 January 2021 (the "Prospectus").

Use of proceeds from Rights Issue

The intended use of the net proceeds, actual use of the net proceeds and the remaining balance of unutilised proceeds as at 30 June 2021 are summarised as follows:

Use of proceeds	Intended use of proceeds HK$million	Actual use of net proceeds as at 30 June 2021 HK$million	Remaining balance of unutilised proceeds as at 30 June 2021 HK$million
Purchase of santoni machines in Thailand	18.6	9.3	9.3
Increase of investment in an Indonesian company	12.9	–	12.9
Construction of the Myanmar factory facilities	6.4	6.4	–
General working capital	2.5	2.5	–
Total	40.4	18.2	22.2

The remaining balance of unutilised net proceeds of approximately HK$22.2 million as at 30 June 2021 is expected to be utilised before end of June 2022 according to the intentions previously disclosed in the Prospectus.

Management discussion and analysis

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period and up to the date of this report.

OUTLOOK AND FUTURE DEVELOPMENT

At time of writing, the world is now grappling with the more powerful and transmissible Delta variant of the Coronavirus. It has been particularly devastating to South and Southeast Asian countries as every country struggles with low vaccination rate due to lack of supply. This has forced governments to impose stringent lock down measures to prevent the spread of the virus which heavily impacting daily lives and movements.

We expect such turmoil to continue well into 2022 and we have been working closely with respective local governments to establish “bubble and seal” protocols to prevent and contain the spread of virus while also keeping the production continue running. We have also maintained constant communication with our customers and suppliers on any change in lead time and delivery schedule. With our diversified base of manufacturing and contingency plan, we strive to overcome the turmoil.

We will remain focused on executing on the key strategic initiatives and improving liquidity of the Group in light of the volatility and disruption expected in the coming months.

Directors' report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

A review of the business of the Group during the year and a discussion on the Group's future business development and uncertainties and an analysis of the performance using financial key performance indicators are set out in the Chairman's Statement on page 4 and the Management Discussion and Analysis on pages 5 to 8 of this annual report. The principal risks facing the Group are set out in the Management Discussion and Analysis on pages 5 to 8 and the financial risk management objective and policies detailed in note 25 to the consolidated financial statements.

Details regarding the environmental, social and governance practices adopted by the Group will be set out in the Environmental, Social and Governance Report on pages 31 to 48 of this annual report.

In addition, the Group's compliance with relevant laws and regulations and key relationships with employees, customers and suppliers are set out on pages 9 and 10 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2021 are set out in the Consolidated Statement of Profit or Loss on page 53.

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 30 June 2021 (for the year ended 30 June 2020: nil).

No interim dividend for the six months ended 31 December 2020 has been paid to the Shareholders during the year ended 30 June 2021 (for the six months ended 31 December 2019: nil).

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2021 AGM

The main and branch registers of members of the Company will be closed from 11 November 2021 to 16 November 2021 for the purpose of determining the shareholders' entitlement to attend and vote at the forthcoming annual general meeting on 16 November 2021 ("AGM"). During that period, no transfer of shares will be registered. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 10 November 2021.

FIVE YEAR FINANCIAL SUMMARY

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 30 June 2021, the Company was not aware of any non-compliance with any relevant laws and regulations that have a significant impact on the Group.

DIRECTORS' REPORT

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$236,446,000 (2020: HK$237,116,000).

BANK LOANS

Details of unsecured bank loans the Group as at 30 June 2021 are set out in note 20 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. Wong Chung Chong	*(Chairman)*
Mr. Wong Kai Chung, Kevin	*(Chief Executive Officer)*
Mr. Wong Kai Chi, Kenneth	*(Managing Director)*

Non-executive Directors

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

Independent non-executive Directors

Ms. Leung Churk Yin, Jeanny
Mr. Leung Ying Wah, Lambert
Mr. Lin Sun Mo, Willy

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

In accordance with bye-law 87(2) of the Company's Bye-laws, Mr. Wong Kai Chi, Kenneth, Mr. Lucas A.M. Laureys and Mr. Leung Ying Wah, Lambert will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

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

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

CONFIRMATION OF INDEPENDENCE ON INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company has assessed their independence and concluded that all the independent non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out on pages 18 to 19 of the annual report.

CONNECTED TRANSACTIONS

The Group has been for the past 39 years conducting transactions with Van de Velde N. V. ("VdV") by supplying ladies' intimate apparel to VdV. VdV is a connected person of the Company by virtue of it being a substantial shareholder of the Company holding approximately 25.66% of the issued share capital of the Company. Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the non-executive director and the Chairman of VdV respectively, are non-executive Directors of the Company. Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange) hold an indirect equity interest of 56.26% in VdV via a jointly controlled corporation and therefore they are deemed to be connected persons of the Company. All transactions between VdV and the Group would constitute continuing connected transactions (the "Continuing Connected Transactions") pursuant to the Listing Rules of the Hong Kong Stock Exchange. Accordingly, a master agreement dated 18 September 2005 (the "Master Agreement") had been entered into between VdV and the Company to govern the Continuing Connected Transactions and to set annual caps for the Continuing Connected Transactions in respect of the three financial years ended 30 June 2008.

The Master Agreement had been renewed by entering into (i) the 1st renewal agreement dated 12 June 2008 between VdV and the Company for a terms of three years ended 30 June 2011; (ii) the 2nd renewal agreement dated 1 April 2011 between VdV and the Company for a terms of three years ended 30 June 2014; (iii) the 3rd renewal agreement dated 9 April 2014 between VdV and the Company for a terms of three years ended 30 June 2017; (iv) the 4th renewal agreement dated 10 April 2017 between VdV and the Company for a terms of three years ended 30 June 2020; and (v) the 5th renewal agreement ("the 5th Renewal Agreement") dated 7 April 2020 between VdV and the Company for a terms of three years ending 30 June 2023.

An announcement dated 7 April 2020 and a circular dated 5 May 2020 regarding the renewal of the Continuing Connected Transactions contemplated under the 5th Renewal Agreement and the relevant annual caps set for the three financial years ending 30 June 2023 of HK$160 million, HK$170 million and HK$180 million respectively had been published and dispatched to Shareholders and an approval had been obtained from Independent Shareholders of the Company on 22 May 2020.

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

Name of the connected person	Nature of the continuing connected transactions	Amount HK$'000	Annual cap set for the year ended 30 June 2021 HK$'000
VdV	Sale of ladies' intimate apparel by the Group to VdV	97,114	160,000

DIRECTORS' REPORT

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

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms; and

3. in accordance with the agreement governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the section headed "Share Option Scheme", no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the year under review.

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISIONS

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

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

SHARE OPTION SCHEME

The Company has adopted a new share option scheme (the "Scheme") on 3 November 2011 (the "Adoption Date") for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board, and the Scheme will end on 2 November 2021.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the Adoption Date, being 107,518,812 shares. Following the share consolidation (on the basis of every five issued and unissued shares of $0.10 each consolidated into one share of $0.50 each in the capital of the Company) which became effective on 23 May 2014, the total number of shares which may be issued on exercise of the options which may be granted under the Scheme shall not exceed 21,503,762 shares.

On 30 September 2019, the Company has granted share options (the "Share Options") to certain eligible participants (the "Grantees") to subscribe for 5,920,000 ordinary shares (the "Shares") of HK$0.50 each of the Company, subject to acceptance of the Grantees and the payment of HK$1.00 by the Grantees, pursuant to the Scheme adopted by the Company. The exercise price of the Share Options granted was HK$1.172 per Share and the closing price of the Shares of the Company immediately before the date on which the Share Options were granted was HK$1.15 per Share. The validity period of the Share Options would be for 5 years from 30 September 2019 to 29 September 2024 (both days inclusive). All the Share Options shall be vested and exercisable from the third anniversary of the date of grant (i.e. 30 September 2022).

In respect of the Share Options granted during the year ended 30 June 2020, the fair value of Share Options granted under the Scheme to each class of Grantees on date of grant (i.e. 30 September 2019), which were the Directors and the employees, were approximately HK$77,612 and HK$1,071,048 respectively. No Share Options were granted under the Scheme during the year ended 30 June 2021.

The total number of Shares which may be issued upon exercise of all share options to be granted under the Scheme as at 30 June 2021 was 16,788,810 (as at 30 June 2020: 15,583,762), representing approximately 5.58% of the issued share capital of the Company as at 30 June 2021 (as at 30 June 2020: 7.25%).

As a result of the rights issue on 19 February 2021, the exercise price of the share options granted on 30 September 2019 was adjusted from HK$1.172 to HK$1.044 and the number of outstanding share options was adjusted from 5,920,000 to 6,645,836.

Further details of the accounting policy for the share options granted and the Scheme are set out in note 2(j)(iii) and note 22 to the consolidated financial statements respectively.

Details of movements of the Share Options granted under the Scheme to the Directors and employees during the year ended 30 June 2021 were as follows:

				Number of share options					
Grantee	**Date of grant**	**Adjusted exercise price per share (HK$)**	**Exercise period**	**Outstanding as at 1 July 2020**	**Granted during the year**	**Exercised during the year**	**Adjustment due to Rights Issue during the year**	**Cancelled/ lapsed during the year**	**Outstanding as at 30 June 2021**
Directors									
Mr. Wong Kai Chung, Kevin	30 September 2019	1.044	30 September 2022 to 29 September 2024	200,000	–	–	24,522	–	224,522
Mr. Wong Kai Chi, Kenneth	30 September 2019	1.044	30 September 2022 to 29 September 2024	200,000	–	–	24,522	–	224,522
Employees									
In aggregate	30 September 2019	1.044	30 September 2022 to 29 September 2024	5,520,000	–	–	676,792	(1,930,884)	4,265,908
Total				**5,920,000**	**–**	**–**	**725,836**	**(1,930,884)**	**4,714,952**

Directors' report

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS

As at 30 June 2021, the interests and short positions of the Directors or the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long positions:

Ordinary shares of HK$0.50 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Number of share options held (note 1)	Total Interests	Percentage of the issued share capital of the Company
Mr. Wong Chung Chong	Beneficial owner and interests held by spouse and a controlled corporation and persons acting in concert (note 2)	89,052,724	–	89,052,724	29.58%
Mr. Wong Kai Chung, Kevin	Interests held by a controlled corporation and persons acting in concert (note 3)	88,828,202	–	89,052,724	29.58%
	Beneficial owner	–	224,522		
Mr. Wong Kai Chi, Kenneth	Persons acting in concert (note 4)	88,828,202	–	89,052,724	29.58%
	Beneficial owner	–	224,522		
Mr. Herman Van de Velde	Interests held by a controlled corporation (note 5)	77,258,590	–	77,258,590	25.66%
Mr. Fung Wai Yiu	Beneficial owner and interests held by spouse (note 6)	8,705,704	–	8,705,704	2.89%
Mr. Leung Ying Wah, Lambert	Beneficial owner	112,000	–	112,000	0.04%
Ms. Leung Churk Yin, Jeanny	Beneficial owner	19,745	–	19,745	0.01%

Notes:

1. Details of the share options granted to the Directors by the Company are set out in the section headed "Share Option Scheme" of this report.

2. 6,474,304 shares were beneficially owned by Mr. Wong Chung Chong ("Mr. Wong") whereas 308,000 shares were held by the spouse of Mr. Wong and 73,245,645 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Mr. Wong. 8,575,731 shares were registered in the name of Triple Gains Ventures Limited ("TGV"), 41.36% equity interest of which was held by Mr. Wong Kai Chung, Kevin ("Mr. Kevin Wong"), and 9,024,775 shares were deemed to be interested by Mr. Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

3. 8,575,731 shares were held by TGV, 41.36% equity interest of which was held by Mr. Kevin Wong, and 80,252,471 shares were deemed to be interested by Mr. Kevin Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

4. 88,828,202 shares were deemed to be interested by Mr. Kenneth Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

5. 77,258,590 shares were held by VdV. Mr. Herman Van de Velde held an indirect equity interest in Van de Velde Holding N.V. which in turn directly held 56.26% of the equity interest of VdV.

6. 4,618,504 shares were beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 4,087,200 shares were held by the spouse of Mr. Fung.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 30 June 2021.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and as far as was known to the Directors of the Company, persons (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Ordinary shares of HK$0.50 each of the Company

Name of Shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
High Union Holdings Inc.	Beneficial owner and persons acting in concert (note 1)	89,052,724	29.58%
TGV	Beneficial owner and persons acting in concert (note 2)	89,052,724	29.58%
VdV	Beneficial owner	77,258,590	25.66%
David Michael Webb	Beneficial owner and interests held by a controlled corporation (note 3)	27,042,000	8.98%

Notes:

1. 73,245,645 shares were beneficially owned by High Union Holdings Inc. whereas 15,807,079 shares were deemed to be interested by High Union Holdings Inc. which was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

2. 8,575,731 shares were beneficially owned by TGV whereas 80,476,993 shares were deemed to be interested by TGV which was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

3. 15,802,280 shares were beneficially owned by Mr. David Michael Webb and 11,239,720 shares were held by Preferable Situation Assets Limited, the shares of which were held by Mr. David Michael Webb.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 30 June 2021.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The respective percentages of the Group's purchases from major suppliers and revenue attributable to major customers for the year ended 30 June 2021, were as follows:

–	Percentage of purchases attributable to the Group's largest supplier	15%
–	Percentage of purchases attributable to the Group's five largest suppliers	48%
–	Percentage of revenue attributable to the Group's largest customer	48%
–	Percentage of revenue attributable to the Group's five largest customers	87%

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

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

CHARITABLE DONATION

During the year, the Group made charitable donations amounting to HK$24,000 (2020: HK$66,000).

EMOLUMENT POLICY

The emoluments of the Directors are determined by the Board, as authorised by the shareholders at the general meetings, with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of remuneration of Directors on an individual basis are disclosed in this report.

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

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 23 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2021 as required under the Listing Rules of Hong Kong Stock Exchange.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance principles and practices and has throughout the year, except for the deviations stated and explained in the Corporate Governance Report set out on pages 20 to 30 of this report, complied with the code provisions as set out in the Corporate Governance Code, Appendix 14 to the Listing Rules of Hong Kong Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Audit Committee, together with the management and the Company's external auditors, have reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal controls systems and financial reporting matters, and reviewed the financial results for the year ended 30 June 2021.

AUDITORS

The consolidated financial statements for the year ended 30 June 2021 have been audited by Messrs. KPMG who will retire and offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Messrs. KPMG as the Company's auditors will be proposed at the forthcoming AGM of the Company.

On behalf of the Board

Wong Chung Chong
Chairman
Hong Kong

14 September 2021

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Chung Chong (黃松滄), aged 75, has been the Chairman and an Executive Director since 31 October 2014 and 19 November 1991 respectively. He is also the authorized representative and was a member of the Nomination Committee of the Company until 31 October 2018. Mr. Wong is the co-founder of the Group and has taken over the role as Chairman of the Company since 31 October 2014. He is responsible for managing the Board issue and supervising the management team in adherence to the long term strategic development of the Group. He attains extensive experience and is very knowledgeable in the brassiere manufacturing industry. He has over 55 years of experience in the brassiere trade. He is also a director of a number of subsidiaries of the Company. Mr. Wong is the father of Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin, both are Executive Directors of the Company.

Mr. Wong Kai Chung, Kevin (黃啟聰), aged 45, has been an Executive Director since 1 March 2011, and was the Vice Chairman of the Company from 22 May 2015 to 23 August 2018. He was appointed as the Group's Chief Executive Officer on 24 August 2018. He is the authorized representative of the Company. Mr. Kevin Wong is an alternate Nomination Committee member to Mr. Kenneth Wong since 19 February 2016. Mr. Kevin Wong joined the Group in 2001 and is a director of Top Form Brassiere Mfg. Co., Limited and various subsidiaries of the Company. He has over 22 years of experience in business development, manufacturing operations, supply chain and finance. Mr. Kevin Wong graduated from Colby College, the United States of America majoring in Economics and International Studies in 1998. He was awarded a Master of Business Administration degree issued jointly by the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology in 2016. He is the holder of the Chartered Financial Analyst designation. Mr. Kevin Wong is the son of Mr. Wong Chung Chong and the younger brother of Mr. Kenneth Wong.

Mr. Wong Kai Chi, Kenneth (黃啟智), aged 47, has been an Executive Director and the Managing Director of the Company since 1 March 2011 and 22 May 2015 respectively. Mr. Kenneth Wong has been appointed as a member of the Nomination Committee of the Company since 19 February 2016. He joined the Group in 1997 and is a director of Top Form Brassiere Mfg. Co., Limited, a principal wholly owned subsidiary of the Company and various subsidiaries of the Company. Mr. Kenneth Wong is responsible for the Group's business development and marketing functions. He is currently the Honorary Chairman of Hong Kong Intimate Apparel Industries' Association since 1 December 2016. He is also a panel member of the Textile and Clothing Research Projects Assessment under Innovation and Technology Fund since 1 January 2017 and the Vice Chairman of Multi-Textiles and Fashion Accessories Council for Federation of Hong Kong Industries since 2017. He holds a Bachelor degree in Marketing and Operations Management from School of Management, Boston University in the United States of America and a Master degree in International Business from Asian Institute of Technology in Thailand. He has been awarded the Young Industrialist Awards of Hong Kong 2015 by the Federation of Hong Kong Industries. Mr. Kenneth Wong is the son of Mr. Wong Chung Chong and the elder brother of Mr. Wong Kai Chung, Kevin.

NON-EXECUTIVE DIRECTORS

Mr. Fung Wai Yiu (馮煒堯), aged 73, is a Non-executive Director and was a member of the Nomination Committee of the Company until 31 October 2019. Since 1998 and prior to his re-designation as a Non-executive Director of the Company on 31 October 2014, Mr. Fung served as the Chairman and an Executive Director of the Company and was responsible for the Group's business strategy and development. Mr. Fung was a director of Hongkong Sales (International) Limited, a knitwear apparel manufacturing company until his retirement on 31 January 2021. He has over 50 years of experience in the apparel industry.

Mr. Lucas A.M. Laureys, aged 76, has been a Non-executive Director of the Company since September 2002. He has been re-designated as a non-executive director of Van de Velde N. V. since 1 January 2016, the shares of which are listed on the NYSE Euronext Brussels stock exchange. Mr. Laureys has over 49 years of experience in the brassiere trade and specialises in marketing. Mr. Laureys holds a degree in Economics from the University of Ghent, a Master Degree in Marketing from the University of Leuven and a Master Degree in Business Administration from the University of Ghent Vlerick Business School. He was formerly a board member of Delta Lloyd Bank N. V. and the Chairman of the Board of Omega Pharma (a company previously listed on Euronext).

Mr. Herman Van de Velde, aged 67, has been a Non-executive Director of the Company since September 2002. He also serves as a member of the Compensation Committee and the Nomination Committee of the Company. He has been appointed as the Chairman of the board of Van de Velde N. V. since 1 January 2016 and remains a non-executive director of Van de Velde N. V., the shares of which are listed on the NYSE Euronext Brussels stock exchange. He is also an independent director of Alsico, a Belgian garment company and Brabantia, a Dutch family owned company. He also holds several mandates in non-profit organisations. Mr. Van de Velde joined the brassiere industry in 1981 and is well versed in operating the brassiere business in Europe.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Leung Churk Yin, Jeanny (梁綽然), aged 56, has been an Independent Non-executive Director of the Company since September 2008. Prior to this, she had been an Executive Director of the Company since February 1998 and re-designated as a Non-executive Director in April 1999. She also serves as a member of the Audit Committee, the Compensation Committee and the Nomination Committee of the Company. Ms. Leung is a seasoned investment banker with 30 years of corporate finance experience in Hong Kong, Mainland China and Taiwan. Ms. Leung is currently an executive director of Altus Holdings Limited (stock code: 8149), a company listed on GEM of Hong Kong Stock Exchange.

Mr. Leung Ying Wah, Lambert (梁英華), aged 74, has been an Independent Non-executive Director of the Company since May 2006. He is the Chairman of the Audit Committee and the Nomination Committee, and a member of the Compensation Committee. Mr. Leung was the Chief Executive Officer of a leading construction materials company. He is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Leung was the Past Chairman of the Hong Kong Cement Traders and Producers Association and the Past Chairman of the Hong Kong Construction Materials Association.

Mr. Lin Sun Mo, Willy (林宣武), GBS, MBE, JP, FCILT, aged 61, has been an Independent Non-executive Director of the Company since May 2006. Mr. Lin also serves as the chairman of the Compensation Committee of the Company and a member of both Audit Committee and Nomination Committee of the Company. He holds a Bachelor of Science degree from Babson College in the United States of America and is the Managing Director of Milo's Knitwear (International) Limited. Mr. Lin is concurrently the Chairman of The Hong Kong Shippers' Council and Hong Kong Productivity Council, Honorary Chairman of Textile Council of Hong Kong, a member of the HKSAR's Logistics Development Council, Maritime and Port Board, Trade and Industry Advisory Board, an Ex-officio member of Committee on Innovation, Technology and Re-industrialisation, a Committee Member of the Chinese People's Political Consultative Committee of Jieyang, Guangdong, Honorary Trade Advisor of Ministry of Commerce of Thailand and Honorary Consul of the Slovak Republic in Hong Kong and Macao.

SENIOR MANAGEMENT

Ms. Anna Maria Swierkosz, aged 55, joined the Group in January 2019 as the Chief Product Officer of the Group. She leads the development of product strategy and manages product design, innovation and creation capabilities to support business strategy of the Group. She possesses more than 30 years of experience in intimate design and product development. She holds a degree of Associate in Applied Science.

Mr. Pun Chi Wa (潘志華), aged 49, was appointed Chief Financial Officer of the Group and the Company Secretary of the Company in June 2018. He is responsible for managing the Company's finances and assisting on all of the Group's strategic developments and tactical matters in the formulation of future Group direction. He has over 27 years of financial and operational management experience and held senior positions in various companies before joining the Group. Mr. Pun holds a Bachelor's degree in Business Administration and is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Tse Ting Ting (謝婷婷), aged 53, is the Chief People Officer of the Group. She oversees all aspects of human resources management for the Group and assists in developing the Group's strategy in relation to human capital. She joined the Group in September 2018 and has over 30 years of experience in human resources roles with more than 10 years in regional management roles at multinational corporations and business with large workforce. She holds a Master's degree in Business Administration.

Mr. Eduardo Bertrand Portabella, aged 49, is the Group Technical Director and the Executive Director of Grand Gain Industrial Limited ("Grand Gain"), a subsidiary of the Company. He joined the Group in June 2016 and was appointed Group Technical Director in April 2020. He is responsible for leading the Group's technical and industrial design, and business development and product innovation for Grand Gain, the polyurethane foam cup subsidiary of the Group. Mr. Portabella has extensive experience in business development, manufacturing and supply chain operations, project management, and engineering. He holds an Executive Master of Business Administration degree. He also holds a Doctoral degree in Electrical Engineering, a Master's degree and a Bachelor's degree in Telecommunications Engineering.

Mr. Ng Chi Keong (吳志強), aged 59, joined the Group in May 2021 as Group Technology Director. He leads the technology teams to build and execute technology initiatives. He will assist to develop the Group's technology strategy and lead its implementation. Mr. Ng has 30 years of experience in Information Technology in Asia Pacific and the United States. He has worked across a mix of garment manufacturers, apparel retailers and supply chain software companies. He holds a Bachelor of Science Degree in Computer Science and an MBA degree in Information Decision System.

Corporate governance report

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

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

- A.4.1 — Non-executive Directors of the Company are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years in accordance with the Company's Bye-laws.

- A.4.2 — The Chairman shall not, while holding such office, be subject to retirement by rotation or taken into account in determining the number of Directors to retire in each year. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the role of Chairman and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

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

BOARD RESPONSIBILITIES AND DELEGATION

The Board currently comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The list of Directors is set out in this report under the section headed "Corporate Information". The non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company's Bye-laws.

The Board collectively determines the overall strategies and monitors the performance of the Group. The Chairman, Mr. Wong Chung Chong focuses on managing the Board issues and supervising the management team in adherence to the long term strategic development of the Group. The Chief Executive Officer, Mr. Wong Kai Chung, Kevin is responsible for the Group's overall operations. The Managing Director, Mr. Wong Kai Chi, Kenneth is responsible for the Group's business development and marketing functions. The Chairman plays a key role in driving corporate governance development and a leading role in the corporate governance function held by the Board. Mr. Wong Chung Chong is the father of Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin. Mr. Wong Kai Chi, Kenneth is the elder brother of Mr. Wong Kai Chung, Kevin.

The daily management, operation and administration functions of the Company are delegated to the executive Directors and senior management. All the significant issues are reported to the Board on a regular basis.

There is a prescribed list of matters reserved for Board approval, including:

i. long-term objectives and strategies;

ii. audited financial statements and associated materials; review and approve interim and final results announcements and quarterly operational updates; convening general meetings;

iii. recommendations as to dividend;

iv. appointment, removal or re-designation of Directors;

v. remuneration of non-executive Directors and changes in terms and conditions of employment of executive Directors;

vi. material connected transactions;

vii. material acquisitions, disposals or joint-venture arrangements;

BOARD RESPONSIBILITIES AND DELEGATION – CONTINUED

viii. material raising of external finance;

ix. appointment and removal of external auditors;

x. annual capital expenditure budget;

xi. matters involving a conflict of interest for a substantial shareholder or Director; and

xii. create, issue, purchase, redeem or otherwise reorganize the Company's share capital.

For any matters that involve a conflict of interest for a substantial shareholder or Director, such matters are considered and approved by the full Board except those Directors who have conflict of interests in such matters.

Directors are provided at quarterly Board meetings with comprehensive reports on the management's strategic plans, updates on business, financial objectives, plans and actions.

BOARD COMPOSITION

The composition of the Board represents a well-balanced mixture of skills and experience appropriate for the requirements of the business of the Company. Review of the Board composition is made regularly by the nomination committee of the Company.

The composition of the Board by category is disclosed in all corporate communications and the updated biographical details of the Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management" and on the website of the Company. A list of names of Directors and their roles and functions is also published on the website of Hong Kong Exchanges and Clearing Limited (the "HKEx") and the Company's website.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if the number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office. The Chairman shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the role of Chairman and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

In accordance with the Company's Bye-laws, newly appointed Directors to fill casual vacancies are required to offer themselves for re-election at the next general meeting following their appointments.

BOARD, BOARD COMMITTEE AND SHAREHOLDERS' MEETINGS

The Board held four regular meetings during the year ended 30 June 2021. Regular Board meetings are scheduled at least three months in advance to give Directors the opportunity to include matters in the agenda and at least 14 days formal notice is given before each regular Board meeting. The Board papers and related materials are circulated to Directors three days prior to Board meetings and Board committee meetings.

The Directors are given an opportunity to comment on draft Board minutes and minutes of Board committee meetings which are sent to Directors within a reasonable time frame of the relevant meeting. The signed minutes are placed on record after the same have been reviewed and agreed amongst the Board members and are open for inspection at any time by Directors.

BOARD, BOARD COMMITTEE AND SHAREHOLDERS' MEETINGS – CONTINUED

The Directors participate in Board meetings with open discussions and bring independent judgments and constructive comments to the Board. They at all times have full and timely access to all the information of the Group. The Directors will be able to seek independent professional advice in appropriate circumstances, at the expense of the Company for discharging their duties.

The attendance of the Directors at Board meetings, committee meetings and the general meetings of the Company during the year ended 30 June 2021 were as follows:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Compensation Committee	Nomination Committee	General Meetings*
Executive Directors					
Mr. Wong Chung Chong *(Chairman)*	4/4	–	–	–	2/2
Mr. Wong Kai Chung, Kevin *(Chief Executive Officer)*	4/4	–	–	–	2/2
Mr. Wong Kai Chi, Kenneth *(Managing Director)*	4/4	–	–	1/1	2/2
Non-executive Directors					
Mr. Fung Wai Yiu	3/4	–	–	–	1/2
Mr. Lucas A.M. Laureys	3/4	–	–	–	0/2*
Mr. Herman Van de Velde	4/4	–	1/1	1/1	0/2*
Independent Non-executive Directors					
Ms. Leung Churk Yin, Jeanny	4/4	2/2	1/1	1/1	2/2
Mr. Leung Ying Wah, Lambert	4/4	2/2	1/1	1/1	2/2
Mr. Lin Sun Mo, Willy	4/4	1/2	1/1	0/1	2/2

* An annual general meeting was held on 17 November 2020 and a special general meeting was held on 12 January 2021 during the year. Mr. Lucas Laureys and Mr. Herman Van de Velde attended the annual general meeting by means of electronic facilities. However, attending at a general meeting by virtual attendance was not counted in accordance with the Bye-laws of the Company.

Board Committees

The Board has delegated some of its function to the Board committees, namely Audit Committee, Compensation Committee and Nomination Committee. All the Committees have been established with clear and specific terms of reference in accordance with the requirements of the Code and the terms of reference are available for review on the websites of the HKEx and the Company. Each Board committees reports to the Board their respective decisions and recommendations after the relevant meetings.

Audit Committee

The Audit Committee currently consists of three members, including Mr. Leung Ying Wah, Lambert (chairman of Audit Committee), Ms. Leung Churk Yin, Jeanny and Mr. Lin Sun Mo, Willy, all being independent non-executive Directors.

Under its terms of reference, the Audit Committee reviews the Group's financial information and oversees the financial reporting system, risk management and internal control systems. The Committee also approves the scope of work of the Internal Audit Department and oversees the relationship with the external auditors.

Audit Committee – continued

Two meetings have been held during the year ended 30 June 2021. The principal work performed by the Committee during the year ended 30 June 2021 included:

- review of the Company's financial statements for the year ended 30 June 2021 and for the six months ended 31 December 2020 and recommending such financial statements to the Board for their approval and adoption;
- discussions with the external auditors and reporting to the Board any significant matters arising from the interim review and annual audit;
- review of the audit reports submitted by Internal Audit Department regarding the systems of internal control and risk management;
- review and approval of the audit planning;
- review of the Continuing Connected Transactions; and
- recommending the re-appointment of KPMG as the auditors of the Company to the Board, subject to shareholders' approval at annual general meeting.

The Committee was satisfied as to the overall effectiveness of the internal controls and risk management process during the year under review.

Compensation Committee

The Compensation Committee currently consists of four members, including the non-executive Director, Mr. Herman Van de Velde and three independent non-executive Directors, Mr. Lin Sun Mo, Willy (chairman of Compensation Committee), Ms. Leung Churk Yin, Jeanny and Mr. Leung Ying Wah, Lambert.

The Compensation Committee has the responsibility delegated by the Board to review and make recommendations to the Board the remuneration packages of individual executive Directors and senior management, the policy and structure for all directors' and senior management's remuneration and the establishment of a formal and transparent procedure for developing remuneration policy.

The Compensation Committee reviews compensation policies of the Group on a regular basis. The compensation policy of the Group is designed to reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals. The Committee ensures that no individual Director is involved in deciding his own remuneration.

The details of remuneration of Directors are disclosed on an individual basis in note 7(a) to the consolidated financial statements. In addition, pursuant to code provision B.1.5 of the Code, the remuneration paid to the members of the senior management by band for the year ended 30 June 2021 is set out below:

Remuneration by bands	Number of person(s)
HK$1,500,001 – HK$2,000,000	2
HK$2,000,001 – HK$2,500,000	2
HK$2,500,001 – HK$3,000,000	1

The Compensation Committee held one meeting during the year ended 30 June 2021. During the year, the Compensation Committee has reviewed the remuneration packages of executive Directors and non-executive Directors and made recommendations to the Board for approval.

Nomination Committee

The Nomination Committee currently comprises five members, including the executive Director, Mr. Wong Kai Chi, Kenneth, the non-executive Director, Mr. Herman Van de Velde and three independent non-executive Directors, Mr. Leung Ying Wah, Lambert (chairman of Nomination Committee), Ms. Leung Churk Yin, Jeanny and Mr. Lin Sun Mo, Willy, representing a majority of independent non-executive Directors.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors, identifying and nominating individuals suitably qualified to become board members and making recommendations to the board on the appointment or re-appointment of Directors and succession planning for Directors. The Committee is authorized by the Board to seek external legal or other independent professional advice where necessary.

The Nomination Committee held one meeting during the year ended 30 June 2021. The principal work performed by the Committee during the year ended 30 June 2021 included:

- to assess the independence of all independent non-executive directors;
- to review the structure, size and composition of the Board; and
- to consider and make recommendations to the Board on the retirement and re-election of Directors at the annual general meeting.

The Board has received from each independent non-executive Director a written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy in August 2013. The main objective of the policy is to provide a guideline to the Nomination Committee in selecting candidates in terms of their merits and business and professional backgrounds to the Board with reference to the Company's existing and future business development needs. The Committee considers the benefits of all aspects of diversity, including but not limited to gender, age, cultural and educational background, professional and business experiences, skills, knowledge and length of service (the "Diversity Perspectives"), in order to maintain an appropriate balance of skills, experience and diversity perspectives of the Board. As at the date of this annual report, the Board comprises of eight male Directors and one female Director with different age, ethnicity, length of service, professional expertise, business experiences and knowledge which demonstrate diversity among the members of the Board.

NOMINATION POLICY

The Board adopted a nomination policy in May 2019 which set out the criteria and procedures when considering the candidates to be appointed or re-appointed as Directors of the Company. The Nomination Committee will consider the following factors when proposing a candidate for nomination as a Director of the Company or a Director for re-election:

- Diversity in all aspects, including but not limited the Diversity Perspectives as described above;
- The candidate or the re-elected Director is able to commit and devote sufficient time to carry out his/her duties;
- The potential or actual conflicts of interest of the candidate or the re-elected Director;
- In case of the appointment of an independent non-executive Director, compliance with the independence criteria set out in Rule 3.13 of the Listing Rules; and
- Other relevant factors considered by Nomination Committee on a case by case basis.

NOMINATION POLICY – continued

The nomination policy set out the nomination procedures for appointing a new Director. The Nomination Committee shall identify candidates pursuant to the criteria set out in the nomination policy, evaluate the candidates and recommend to the Board the appointment of Director. The Board is provided with the profiles of candidates and shall decide the appointment based upon the recommendation of the Nomination Committee. Regarding the re-election of the retiring Directors at the general meeting, the Nomination Committee shall review and assess if the retiring Directors meet the criteria set out in the policy and make recommendation to the Board in respect of the proposed re-appointment of Directors.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has an internal audit function. The Head of Internal Audit Department has direct access to the Chairman of the Audit Committee. The audit plan of the Internal Audit Department focuses on those areas of the Group's activities that have impacts in achieving the business objectives of the Group and the plan is reviewed and approved by the Audit Committee. The results of internal audit reviews and corresponding remedial actions taken are reported to the executive Directors and Audit Committee periodically.

The Board, with the support of Audit Committee and Internal Audit Department, has overall responsibility for establishing and maintaining appropriate risk management and internal control systems of the Group and reviewing their effectiveness.

The Group has in place the risk management and internal control systems which are designed in light of the nature of business as well as the organization structure. The Group has adopted a holistic approach to identify, assess, mitigate, report and monitor the risks. The management assessed the likelihood of risk occurrence, provide mitigation plans and monitor the risk management progress. Findings and recommendations are reported regularly to the Audit Committee and the Board.

The Group's internal control system includes a defined management structure with limits of authority and is designed to further the achievement of business objectives. The Group also formulated a set of internal company policies to establish standards in areas including finance, human resources, operations, health and safety and information technology. These policies aim to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or publication, promote efficient and effective operations and ensure compliance with relevant legislation and regulations.

The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The management adopts a hands-on approach to the operations of the business and delegation of authority is clearly defined.

Robust controls are in place for the recording of complete, accurate and timely accounting and management information. Comprehensive monthly management accounts are prepared, reviewed with, and distributed to appropriate senior management. In addition, monthly operational review meetings of various operating plants are held. The Chief Executive Officer and the Managing Director play leading roles in these meetings.

The Internal Audit Department conducts reviews on the adequacy and effectiveness of the Group's risk management and internal control systems and reports their findings to the Audit Committee. The review covers financial, operational and compliance control in accordance with an annual audit plan reviewed and endorsed by the Audit Committee at the beginning of each financial year. The Internal Audit Department provides independent assurance to the Audit Committee and the Board on the adequacy and effectiveness of the risk management and internal control systems for the Group during the year under review.

The Audit Committee and the Board have reviewed annual review on the risk management and internal control systems of the Group and were satisfied as to the effectiveness and adequacy of the risk management and internal control systems of the Group during the year under review.

Corporate governance report

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the consolidated financial statements that give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended and are in accordance with Hong Kong Financial Reporting Standards published by the Hong Kong Institute of Certified Public Accountants and requirements of the Companies Ordinance. The Directors annually acknowledge their responsibility for preparing the financial statements of the Group.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;

- state the reasons for any significant departure from accounting standards; and

- prepare the financial statements on a going concern basis, unless it is not appropriate to assume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention of fraud and other irregularities. The Directors are not aware of any matters and uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The management provides the Directors with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospect in sufficient detail to enable the Directors to discharge their duties.

The statement by the external auditor of the Company regarding their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 52 of this annual report.

ACCOUNTING, INTERNAL AUDIT AND FINANCIAL REPORTING FUNCTIONS

There have been sufficient resources put in place within the Group to perform the accounting, internal audit and financial reporting functions.

The finance team, led by the Chief Financial Officer, with the support of a group of accounting professionals, is responsible for the oversight of the Group's finance and control functions. Adequate training is provided to the finance team and relevant staffs. In addition to the "On-the-job" and internal training, senior staff will regularly attend seminars with topics of relevance to them in discharging their duties, updating their professional knowledge as well as coaching their subordinates.

The Board has reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget during the year under review and considered that the Group has adequate of staff resources with qualifications and experience necessary for the effective performance of the Group's accounting, internal audit and financial reporting functions.

Corporate governance report

DIVIDEND POLICY

The Board adopted a dividend policy in February 2019 pursuant to which the Board has the discretion to determine the declaration and payment of dividends to the Shareholders. The Board will take into account the following factors when considering the declaration and payment of dividends to the Shareholders:

– the Group's actual and expected financial performance;

– retained earnings and distributable reserves of the Company and each of the members of Group;

– the current and future operations, liquidity position and capital requirements of the Group;

– economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

– the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

– contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any; and

– other factors that the Board deems relevant.

CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package to ensure sufficient awareness of director's duties, responsibilities and obligations under the Listing Rules and other relevant regulatory requirements. The induction package shall cover the statutory and regulatory obligations as a director and the Group's business and operations.

During the year, all Directors have complied with the code provision in relation to continuous professional development. The Directors' knowledge and skills are continuously developed and refreshed by reading materials, webcast and guidelines on subjects relating to the updates on Listing Rules, applicable regulatory requirements and corporate governance practices. The Company Secretary from time to time provided all Directors with relevant Directors' guides for their discharge of duties and updates on changes of relevant rules and regulations.

The records of the Directors' training during the year ended 30 June 2021 are as follows:

	Type of Training
Executive Directors	
Mr. Wong Chung Chong *(Chairman)*	A
Mr. Wong Kai Chung, Kevin *(Chief Executive Officer)*	A
Mr. Wong Kai Chi, Kenneth *(Managing Director)*	A
Non-executive Directors	
Mr. Fung Wai Yiu	A
Mr. Lucas A.M. Laureys	A
Mr. Herman Van de Velde	A
Independent Non-executive Directors	
Ms. Leung Churk Yin, Jeanny	A
Mr. Leung Ying Wah, Lambert	A
Mr. Lin Sun Mo, Willy	A

A: Reading Materials, Webcast and Guidelines

AUDITOR

For the year ended 30 June 2021, the external auditor, KPMG, received HK$1,622,000 and HK$200,000 for audit services and non-audit services (which consist of other professional services) respectively.

INSURANCE FOR DIRECTORS' AND OFFICERS' LIABILITY

There is in place appropriate insurance coverage on directors' and officers' liability in respect of legal action against Directors and officers of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code for Directors' dealings in securities of the Company.

Having made specific enquiries, the Company confirmed that each of the Directors has complied with the required standards during the year.

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

INTERNAL PROCEDURES AND CONTROLS FOR DISSEMINATION OF INSIDE INFORMATION

There are internal procedures and controls for the handling and dissemination of inside information. The Group has adopted and implemented a Continuous Disclosure Policy since 22 February 2013. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbors as provided in the Securities and Futures Ordinance. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcement or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

The Board is aware of the requirements under the Listing Rules about timely disclosure of inside information regarding the Company and will arrange to issue and publish such announcements as and when the occasions arise. The Company Secretary will consult and seek legal advice on the materiality and sensitivity of certain material and connected transactions and advise the Board accordingly.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and Chief Executive Officer and assists in the Company's issues.

The Company Secretary is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Directors have direct access to the Company Secretary. The selection, appointment or dismissal of the Company Secretary is approved by the Board.

The Company Secretary has taken no less than 15 hours of relevant professional training during the year under review.

Corporate governance report

BUSINESS INTEGRITY

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

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

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

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

COMMUNICATIONS WITH THE INVESTMENT COMMUNITY

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

The Chief Executive Officer and the Chief Financial Officer have the prime responsibility for these activities, with the Chief Executive Officer taking the lead in the period immediately following the interim and final results announcements. The Company endeavours to be responsive to the Company or business related matters.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

During the year under review, one annual general meeting (the "2020 AGM") and one special general meeting were held at which, the Chairman of the Board, the Chief Executive Officer, the Managing Director and the chairman or the members of respective Board committees attended the said meetings and were available to answer questions from shareholders of the Company (the "Shareholders").

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

Under the Company's Bye-laws and the relevant policies and procedures of the Group, the Shareholders have, among others, the following rights:

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

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

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

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

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

Procedures for sending enquiries to the Board

The enquiries must be in writing with the detailed contact information of the requisitionists and deposited with the Board or the Company Secretary at the Company's principal office as set out in the Corporate Information of this report.

Procedures for shareholders to put forward proposals at general meetings

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

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

CONSTITUTIONAL DOCUMENT

There was no change in the Memorandum of Association and Bye-laws of the Company during the year ended 30 June 2021. The aforesaid constitutional document is available for public inspection at the Company's Website.

Environmental, social and governance report

ABOUT THIS REPORT

This environmental, social and governance Report (the "ESG Report") was compiled in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") contained in Appendix 27 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

The board of directors (the "Board") recognizes the importance of a robust environmental, social and governance performance in meeting the expectations of various stakeholders. The Board has taken overall responsibility for the Company's ESG strategy and reporting and endorsement of this year's ESG Report.

This report discusses information of our policies, efforts and achievements towards environmental, social and governance issues from 1 July 2020 to 30 June 2021 (the "Fiscal 2021"). Relevant ESG Policies are publicly available at Company's website.

Top Form has made the best effort to translate names of the relevant social and environmental laws since some official translation is not available in English or Chinese.

Profile and Scope

This report covers the activities of Top Form International Limited (the "Company") and its principal subsidiaries (collectively "Top Form" or the "Group" or "our" or "we" or "us"). Top Form Brassiere Mfg. Co., Ltd ("Top Form Bra") represents the brassiere manufacturing arm of Top Form and is the major principal subsidiary. The data disclosed in this report was captured from production plants in China, Thailand, Cambodia, Myanmar* and all operating offices of the Group. We take into account the potential social and environmental impact of these principal subsidiaries and have made relevant adjustments of the disclosure content compare to our last published ESG report to reflect sustainability topics that are material to our stakeholders. To find out more about our sustainability efforts, a separate Sustainability Report is published periodically on our website at www.topformbras.com.

Report assurance

Data contained in this report originate from our internal documents and statistics. The Group is responsible for the authenticity, accuracy and completeness of content of this report.

Contact

We highly appreciate and welcome feedback from our stakeholders on this report so that we may meet their interests and expectations more accurately in our next report. In case of any questions or comments, please contact us at query@topformbras.com.

* The Group has temporarily suspended the operation in Myanmar since June 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR VISION

It is Top Form's vision to be the leading international apparel partner, from ideation to delivery, driven by insights and built on sustainable operations. Top Form employs over 7,000 people across China, Thailand and Cambodia, with our headquarters in Hong Kong. We provide end-to-end service, from material sourcing to finished garments, and our product category ranges from intimate apparel to functional sports bras. Our strong foothold in the competitive market stems from a combination of our products' concept designs, which utilizes innovative technologies, and our multinational production base, which offers global logistics solutions.

OUR MISSION

"Top Form strives to make a lasting positive impact through our actions, our relationships and the quality work we do".

OUR CORE VALUES

- INTEGRITY
- "CAN DO" ATTITUDE
- ACCOUNTABILITY
- COURAGE
- CURIOUS & CREATIVE
- CARE & RESPECT
- COLLABORATIVE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR SUSTAINABILITY APPROACH

In 2020, we have launched our ambitious new Sustainability Strategy and it serves as guiding principle to widen our positive impact to our key stakeholders. It gives us a clear road map and objective to work towards and we have prioritized on three strategic pillars: Save Our Planet, Empower Our People, and Build Our Community.

SAVE OUR PLANET

EMPOWER OUR PEOPLE

BUILD OUR COMMUNITY

Our sustainability framework and current initiatives are aligned with the United Nations Sustainability Development Goals ("SDGs") to address global challenges and achieve a sustainable future. Below table summarizes our Sustainability Strategy and Focus area.

Top Form's Sustainability Priorities	Corresponding Sustainability Development Goals	Focus Area
Save Our Planet	Goal 7. Affordable and Clean Energy Goal 12. Responsible Consumption and Production Goal 13. Climate Action	• Pathway to Carbon Reduction • Pathway to Circularity
Empower Our People	Goal 3. Good Health and Well Being Goal 5. Gender Equality Goal 8. Decent Work and Economic Growth	• Ethical Recruiting • Groom Talents • Health & Safety
Build Our Community	Goal 2. Zero Hunger Goal 4. Quality Education	• Nourishing Our Community • Women Empowerment

Governance Structure

The Board is responsible for overseeing the Group's Sustainability Strategy and sustainability issue. The Group's Chief Executive Officer, who is sponsor of the Sustainability Steering Committee, meets with Sustainability Task Force on bi-monthly basis to monitor the implementation progress of our Sustainability Strategy. All identified sustainability risks and opportunities which may impact the Group are reported to the Chief Executive Officer and the Board at least on an annual basis.

Ethical Business Culture

Our Code of Conduct serves as our moral compass and we encourage our associates to adopt a mindset that embraces our Core Values. Our Code of Conduct contains information regarding bribery, anti-corruption, procedures of reporting suspected of violating the Code of Conduct.

Any valid complaint can be raised to the management team through e-mail hotline, telephone, local HR or General Managers. In FY2021, all Board members have taken the refresher e-training from "The Director Training Programme" by the Hong Kong Stock Exchange, which includes topics such as Corporate Governance, Conflicts of Interest, Managing Inside Information, and Risk Management and Internal Control, and refresher training to our associates is targeted to complete in FY2022.

The Group is in compliance with anti-bribery, extortion and corruption law in all operating countries and has zero cases related to corruption practices during the reporting period.

Fair Labour Practice

Top Form is committed in providing open, fair, and inclusive working environment to our associates. Global engagement activities to promote our Core Value are regularly organized in our head office and factories. This year, a photo competition was organized to reward associates who demonstrate the spirit of our Core Values through images where we have received an overwhelmingly positive response from our associates. We continually strive to foster a working environment that our people feel safe and respected.

In FY2021, the Group has updated our "Labour Practice Policy" to "Social Policy" and formulated an Ethical Recruiting Standard based on international standards and relevant local laws and regulations in the regions we operate. This document was endorsed by the Steering Committee and provides the guiding principles and standards for various social aspect of the Group including but not limited to:

- Health and Safety
- Recruitment practice to avoid discrimination
- Prohibit of child labour and forced labour
- Pay and Benefits
- No discrimination, harassment and abuse
- Freedom of association
- Working hours requirements and rest periods
- No Recruitment Fees for migrant workers
- Anti-corruption

The Group provides reasonable wages and benefits to employees and overtime work is compensated monetarily or by compensation leave in accordance with the relevant law. Impartial appraisal is conducted on annual basis and bonuses are issued to outstanding performers. On top of the statutory labour benefits, the Group offers benefits such as annual dinner, outings, birthday and festival gifts, and support to employees facing difficulties.

Management Approach

Top Form implemented the concept of Plan-Do-Check-Act (PDCA) to enforce our social policies and standards in all operating regions and promote a corporate culture that our associates are treated fairly and on an equal basis.

Plan – Policy and Standard that outlined Top Form's commitment and standard.

Do – Communication and training are conducted to our employee throughout the employment cycle.

Check – Plan to address issues identified in audits and grievances.

Act – Local Management reviews the effectiveness of our Ethical Recruiting Management System.

During the reporting year, these policies and standards were rolled out to our largest factories in China and Thailand and briefing sessions were given to local HR department and promoted to our associates through the following channels:

- Orientation
- Employee Handbook
- Trainings

Relevant local rules and regulations such as "Employment Ordinance, Chapter 57" in Hong Kong, the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), and "Special Provisions on Labour Protection of Female Employees" (《女職工勞動保護特別規定》), and the Labour Protection Act B.E. 2541, Workmen's Compensation Act B.E. 2537 in Thailand were included in the assessment and audit schedule. Through the evaluation, any practices identified that were not in lined with our Ethical Recruiting Standard were submitted with a corrective action plan to the Steering Committee and completed the correction within 4 weeks. The Sustainability Task Force will continue roll out our policies and standard in Cambodia in FY2022.

The Group prohibits recruiting child labour and requires factories employ candidates who are at least 18 years old. Local HR department conducts rigorous age and identification checks to ensure the candidate meets the legal working age. All applicants of the Group shall possess their legal identity cards for undertaking relevant procedures, which is to ensure that they have reached the legal working age. The Group follows the local legal process to handle any identified underage worker and will immediately stops the person from working follow up by a full investigation of the non-compliance incident. There was no child labour cases during the reporting period.

Any forms of forced and compulsory labour are prohibited, including but not limited to prison labour, indentured, bonded, involuntary or slave labour, and recruitment fee is not borne by migrant workers. Restricting freedom of movement are prohibited and corporate punishment, abuse or forcing workers work through labour repayment and work over time are not permitted. Any force labour incident will follow a rigorous internal investigation to gather and cross check evidence such as employee and management interviews and relevant records by local HR department. A root cause analysis will be conducted and a remediation action plan will be developed to ensure the incident is properly addressed. There was no force labour case during the reporting period.

Our employment policies are communicated to our associates through variety of channels, such as orientation, training, posting factory regulations to ensure all associates are properly informed. Grievance procedure is in place to collect feedback if anyone is subject to forced labour or harassment.

Completing verifications with the support of technology

Besides self-assessment, Top Form is subject to in-depth third party audits on regular basis, which validate the effectiveness of our compliance procedures and compliance of local regulations. In FY2021, for the first time, with the support of virtual technology, we have collaborated with our customers and third party to successfully completed four online audits. No fines or non-monetary sanctions for non-compliance with laws and/or regulations in the social area were recorded such as child labour, force labour, or discrimination through both onsite and online audits.

	FY2021	FY2020
Number of external audits	**15**	25
Number of facilities audited	**6**	6

HEALTH AND SAFETY

Top Form conducts its operations in accordance with the industry standards and legal requirements of the countries in which it operates. In Thailand, position of a qualified safety officers and the governance of Environmental, Health and Safety ("EHS") follows the law requirement stipulated in "Ministerial Regulation On The Prescribing Of Standard For Administration and Management of Occupational Safety, Health and Environment". Clinic rooms are managed by qualified nurses onsite which can be accessed freely by all associates for treatment during operating hours. In China, we comply with "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", (《中華人民共和國職業病防治法》) by providing free health checks to qualified workers and conducting annual environmental test in production area to ensure that the air quality meets the law requirement.

Our "EHS Policy and Operation Guidelines" is established to demonstrate our commitment in providing an accident free workplace for our associates and guidance of an effective EHS Committee. The local EHS Committee meets regularly to review EHS matters such as self-audits results, past incidences and effectiveness of control measures, and coordination of future health and safety training schedule.

Health and safety training is regularly provided to workers to ensure they have the necessary knowledge to effectively carry out their duty in a safe manner, which includes machinery safety, fire safety, chemical management, requirements of using Personal Protection Equipment (PPE), ergonomic tips for computer users, and general health and safety concepts, in fiscal 2021, the Group provided a total of 10,676 hours of related trainings to our associates.

Preventive measures to combat the pandemic

Top Form adopted relevant preventive COVID-19 measures issued by the local government and customers, a compliance check list of protocols is developed and implemented at workplaces to minimize the risk of contracting and spreading of COVID-19. Personal hygiene and prevention protocols are broadcasted daily to workers in local languages through speakers. Below framework summarizes the list of protocols:

Administrations	COVID-19 Prevention Committee is formulated in each region to communicate and execute preventive measures to our workers. Office staffs are assigned to work from home alternatively to minimize social gathering.
Checks	Body temperature checks are conducted at least 2 times throughout the day in the factories. Anyone whose temperature is above 37.4 degrees Celsius are not allowed to enter work premise and will be advised to consult a doctor immediately.
Staff protection	Masks are provided daily for free to all workers. Wearing mask is required from entry of premises and throughout the work shift. Sufficient hand soap and sanitors are available both in factory and office for all associates.
Social distancing	Production set up are rearranged so that workers are kept at least 1 meter apart during operating hours.
Disinfecting work area	Work area are disinfected on daily basis.
Canteen Management	Boards are placed in between dining tables and staffs are not allowed to sit face to face to maintain a safe dining distance.
Quarantine	Anyone coming from high risk area and overseas must be quarantined 14 days before entering Top Form factories.
Reporting	Each region complies with local regulations and guidelines by reporting any confirmed cases to the relevant disease control and prevention departments.

Risk Management and Business Continuity during COVID-19

Top Form has also established a Business Continuity Plan (BCP) to stipulate how to respond to emergencies and minimizes business disruption caused by the pandemic. A Risk Profile that covers People, Process, Profit and Partnerships ("the 4P") formulated the bases of our escalation matrix to defined how each incidence is managed base on three risk levels to limit the operation impact and to ensure any confirmed cases are handled effectively.

Under the robust preventive measures and enormous efforts of our local EHS Committee and the support of the Pandemic Committee lead by Senior Executives, in FY2021, Top Form recorded 46 confirmed cases from COVID infection. Those employees have fully well recovered and continue working with Top Form.

Safety Precautions in Extreme Weather Conditions

The Group has formulated policies, escalation mechanism, and guideline of work arrangements in response to potential risks due to climate change such a typhoon and heavy rainstorms during operations. Local HR is responsible for following the local government weather warning grading system to inform our associates to leave or return to work in an organized and safe manner in the event of these extreme weather conditions. Administration team coordinate preventive measures to protect property from damages such as ensuring windows are closed and taped to prevent shattered glass, and machineries are switched off. Factory compliance team conducts daily temperature checks to ensure work area are kept within safety range to prevent potential heatstroke.

Safety Performance

The Group was not aware of any violation of the local Occupational Heath and Safety laws and regulations during the reporting period. According to our Incident Escalation Policy, lost day incidences are escalated to the Management Team within 24 hours of the incident and follow up by an Incident Investigation Report that outlines the root cause and the corrective action plan. All recordable occupational injuries are reviewed and discussed in monthly Operation Meeting with regional General Managers to ensure appropriate measures has been taken to prevent reoccurrence of similar incident in the future.

Statistics on the Group's safety performance are set out as follows:

	FY2021	FY2020
Number of lost day incidences[1]	**16**	14
Average number of lost days per incident	**23**	22

There is zero work-related fatality in the past 3 years including the reporting year.

Grooming Talents

Based on our strategic priorities of "Empowering Our People", the Group is committed to providing adequate training to our associates to enhance their skills and to assist their career advancement. We adopted a scientific approach to evaluate the knowledge and skill sets of associates and established a series of training program that would support the Company's strategic development. Training range from orientation trainings including business ethics, company policies and regulations, position specific instruction and on the job trainings, to management trainings such as project management and job specific knowledge and skills.

Career Development Programs for Young Talents

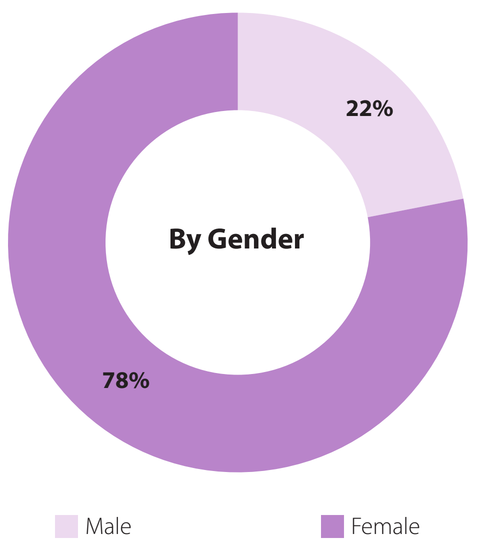
The Group has established development programs to recruit young talents and focuses on two operating functions: Young industrial engineers who desired to specialize in optimizing manufacturing processes will receive practical on the job training in our factories, or a nine-month Rotational Program in our Product Development and Operation Center to understand customer requirements, technical knowledge such as measurement and development process of a product.

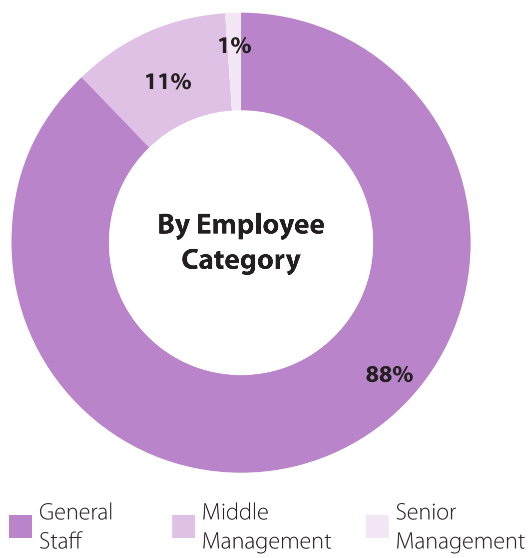
[1] Lost day incidence is defined as the number of occupational injuries where a worker is hospitalized. There is no significant changes in calculation methodology

Developing a future Manufacturing Excellence Team

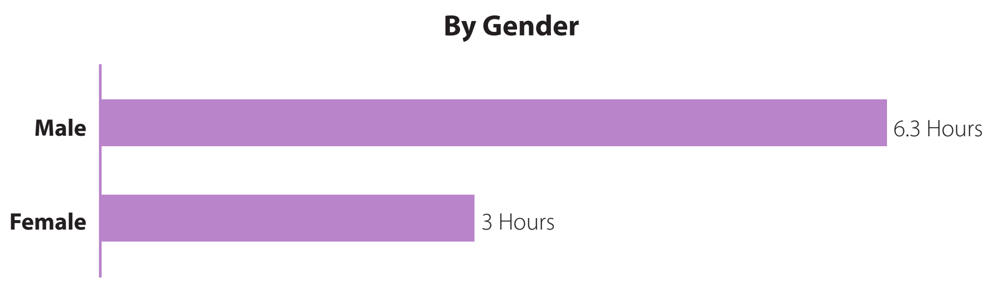
In FY2021, 10 industrial engineers have completed General Sewing Data (GSD[2]) training course that took over 200 hours per person to become a certified GSD practitioner. The goal of this program is to continue to groom a competent team to drive and implement world class manufacturing excellent standards in our operations through LEAN manufacturing principles. During the reporting period, 4 of the practitioners were promoted to more senior roles through the Group's Performance Assessment System ("PMS") for rewarding their exceptional work performance.

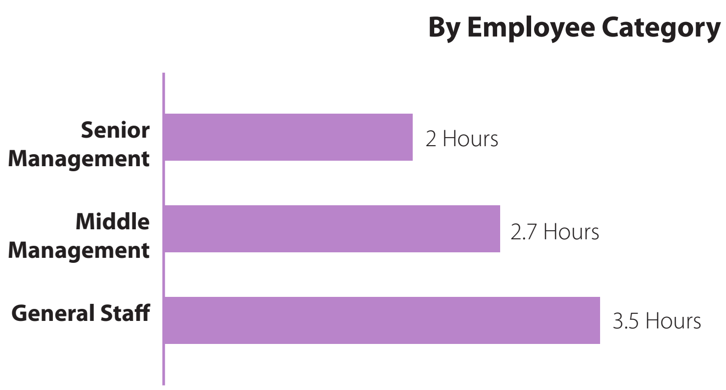
The percentage of employees trained by gender and by employee category during the reporting year was as follows:





The average training hours per employee by gender and by employee category during the reporting year was as follows:





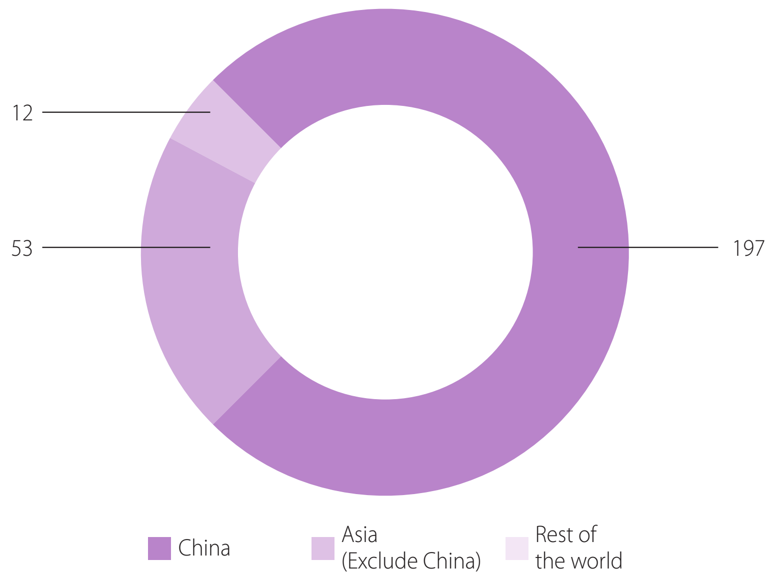
[2] GSD is a pre-determined motion time system designed specifically for the sewn product industries and setting of time standards (SMV) for sewn product manufacture

SUPPLY CHAIN MANAGEMENT

The Group's suppliers provide four major types of material: fabric, lace, foam cups, and accessories, and we have formulated policies and procedures for screening new suppliers such as requirements of abiding to local social and environmental regulation such a forbidding child labour and forced labour, and the expected ethical business behaviour such as avoidance of bribery of any form in the course of business engagement with Top Form. Third party accreditation of OEKO-TEX® or bluesign® of their factories is required to ensure their products do not exceed chemical restriction limits set by brands. In FY2021, third party certified accreditation such as GRS[3] and OCS[4] is included as a mandatory requirement for procuring recycled material in order to validate the material of our products are obtained from ethical and sustainable sources.

Vendor Management Meeting is organized by Head of Sourcing to the Senior Management to evaluate key suppliers' performance. The performance measures of these suppliers include product innovation, compliance to regulations, product sustainability, quality, on time and on time in full delivery, responsiveness to feedback, and among others. Based on our scoring system, suppliers are categorized as "Strategic", "Core" and "Phase out". Top Form will consider giving business priorities to Strategic partners whereas lesser business or possibly no business to poorly scored vendors to reduce our risk exposures. This year, over 40 suppliers have been evaluated and we continue to evaluate the performance of active suppliers on annual basis that has a significant impact to our business.

Number of suppliers[5] by georgraphical region



PRODUCT RESPONSIBILITY

The Group's "Quality Assurance and Escalation Policies" stipulates the adequate measures to eliminate/reduce, report and escalate business exposures associated from Quality System failures. Upon receipt of a customer's complaint, the case is passed on to quality department in-charge for investigation and analysis. Upon verification of facts, rectifications is devised and implemented within a time frame developed by production team. Customer is notified of the relevant outcomes and solutions.

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3 Global Recycled Standard – The GRS is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices and chemical restrictions.

4 Organic Content Standard – The OCS is an international, voluntary standard that sets requirements for third-party certification of certified organic input and chain of custody.

5 The geographical region is defined by country of origin.

The Group respects the intellectual property rights such as design, printed logos, or artwork of our customers and it is critical to protect these assets to maintain trust and prevent customers from losses. Confidentially agreements are engaged both with our customers and suppliers at the beginning of business engagement, employees are required to abide to the Confidentially clause in our Code of Conduct when handling confidential information; and periodically, our facilities follow customer procedures to destruct left over production material that contains brand name or licenced logo to safeguard improper use.

In FY2021, the Group had no products sold or shipped subject to recalls for safety and health reasons or violation of product liability laws or customer complaints or fines associated to intellectual property rights.

Quality Control for Raw Material

Third party accreditation for raw material quality control process is requested from suppliers to ensure the raw material used in our products meet customers' requirements. Testing reports conducted by third party or accredited laboratory are demanded if large deviation is discovered from agreed tolerance. Inspections of raw materials are carried out based on approved samples before being used in production.

Quality Control for Finished Product

Quality risk assessment process begins at development stage to set quality standards and identify quality control area before production. The Group's Pre-Production Gate Control System stipulates the standard operation process to ensure production teams are understood the technical requirements and quality expectation of every new product based on approved prototype sample from customer.

FY2021 Quality Performance:	Achieved	Target
Acceptance Quality Standard "AQL"	98.2%	97.5%
Observe Quality Performance "OQL"	1.5%	2.7%

The first batch of bulk is produced in assigned production lines and approved by both the local quality manager and the production manager before mass production. 100% inspection is conducted for each order and prior to final shipment, each order is inspected in accordance with the Acceptance Quality Standard[6] (AQL) sampling standards specified by customers. Shipment is dispatched for delivery after the quality has been confirmed.

Accreditations relevant to products and related processes for recognition of Top Form practices and status of compliance

Accreditations facilities	Accredited by	Area of accreditation
Internal Laboratory	Customers via third party audit	Quality assurance of material and product
Production facilities: ✔ 2 factories in China ✔ 2 factories in Thailand ✔ 1 factory in Cambodia	OEKO–TEX ® Standard 100	Our products have passed the OEKO–TEX ® Standard 100 standard accreditation. The standard examines hazardous substances in textiles and guarantees the product's safety. It is a widely recognized quality assurance standard in the textile and garment industry.
Production facilities: ✔ 1 factory in China ✔ 1 factory in Thailand	Global Recycled Standard 4.0	Global Recycled Standard 4.0 certifies any product that contains at least 20% recycled material and facilities that meets the criteria for social and environmental principles in processing GRS certified products.

6 Top Form adopted AQL level of 1.5 based on ISO 2859-1:1999 standard

Note: Disclosure related to advertising, labeling and consumer data are not applicable as Top Form's business nature is manufacturing.

Environmental, Social and Governance Report

COMMUNITY INVESTMENT

Our Sustainability Strategy focuses on investing in education and health of disadvantage children or women via sponsorships, charitable donations or volunteering activities. We believe supporting these vulnerable group of stakeholders will bring them employment opportunities and the support the growth of the local economy. In this reporting year, the pandemic has brought many challenges to the local stakeholder and Top Form managed to support 100 families with chronic illness and elderly by donating anti-epidemic packs and gift in Hong Kong, and donated HK$24,000 to a local elementary school in Thailand to support their continued operation.

EMISSIONS/THE ENVIRONMENT AND NATURAL RESOURCES

	Top Form Environmental Policy
Compliance with Local Laws	Top Form policies and procedures are regularly reviewed and updated to ensure in compliance with relevant laws, rules, and regulations.
Climate Change and Carbon Emissions	Top Form reduces our carbon footprint by adopting the use of renewable energy and execute long-term carbon emissions reduction plan.
Use of Resources (water, energy, raw material)	We adopt sustainability best practices to continuously optimize the consumption efficiency of various resources such as water, energy and raw materials.
Industry and Domestic Wastewater	Conduct regular water risk assessment to ensure quality of the wastewater meets local legislation requirements.
Waste Management	We incorporate 5R's (Replace, Reuse, Reduce, Recover, Reprocess) of waste management principles to minimize, control, and manage operation waste.
Chemicals	Top Form complies with national chemical regulations and international standards in purchasing, storing, handling, using, and disposing hazardous chemical substance. Trainings are provided to personnel who work with chemicals.
Communication	This policy is communicated with our employee and other key stakeholders and is publicly available on the Company's website.

Despite the tough economic environment, we remained committed to investing in our business and infrastructure to address one of the most pressing issue of our time – climate change. Top Form is playing our part in reducing our impact on the environment and we have set a 5 year target to address climate change.

"Reduce scope 1 and 2 GHG emissions by 15% by FY2025 from a FY2020 base year"[7]

Risk Management of climate change

The Group has an internal process in place to identify and review risks to our business units regularly and prioritise resources to mitigate and manage them. The Board is responsible for reviewing the Group's top risks (including climate risks) annually and has an overall responsibility for establishing and maintaining appropriate risk management and internal control systems of the Group and reviewing their effectiveness.

7 This target is applicable to energy efficiency target since Scope 2 accounts to over 90% of the Group's carbon emission

Climate Risk

Extreme weather events, such as stronger typhoons and increased likelihood of flooding due to heavier rainfall patterns could increase absenteeism, heat stress from rising temperatures could also pose additional risk.

In response to climate change, the two focus area in our Sustainability Strategy aims to concentrate our effort in improving energy efficiency and to support the growing demand of sustainable products. We ensure that any facility that manufacture products containing recycled material is externally certified. In FY2021, we manage environmental risk, including climate risk, by implementing an internal environmental management system in six factories. The goal is to maintain a systematic management approach to drive sustainability performance through the 'Plan, Do, Check, Act' cycle and continuous promotion of environmental awareness and improvements to meet our sustainability goals.

Through our assessment exercises, we have also identified opportunities to improve resource efficiency at our operations, which we plan to develop better sustainability and business performance. In addition, environmental assessment is conducted by third party on regular basis to ensure our operations are compliant with local and applicable environmental laws, rules and regulations. The Group was not aware of any emissions violation during the reporting period.

Continuous Electricity Monitoring System

In FY2021, our largest operating plant in China took the learnings from a piloting program of installing smart metering systems in specific floor areas to evaluate energy consumption trends of the operation, the result allowed production team to identify abnormal activities such as machines or equipment were not turned off after work hours, which is more effective in monitoring and controlling energy utilization compared to manual reading. The system also enabled the production team to conduct analyses to identify further opportunities for energy improvements. Our next step is to expand this project in our molding facility that has higher energy consumption equipment.

Energy Efficiency Measures	Relevant laws
• Purchased electric appliance with grade 1 energy label • Exchanged 300 set of clutch motors to servo motors	Energy conservation law of China (《節約能源法》)
• Turn off the lights during lunch break. (1 hour) can save 5% electricity. • Turn computers into sleep mode during lunch breaks. • Installed blinds on glass windows to reduce heat radiating into the building. • Thailand and Cambodia have completed exchanging all lightening to LED, which **reduces 45%** of energy consumption per tube.	Energy Conservation Promotion Act (No. 2) B.E. 2550 (2007) of Thailand

Building new renewable capacity in Thailand to tackle climate change

In FY2021, one of our major facilities in Thailand completed the installation of solar PV panels. The agreement was signed in the third quarter of 2020 and the solar panels started operating on in January 2021. The panels are installed on the rooftop of our production building which we estimated it will generate **1,000,000** kwh of renewable energy to our facility every year. This is a major step for the Group to tackle climate change and explore opportunities on low carbon manufacturing.

Measuring Sustainability Performance

Top Form has adopted The Higg Index to disclose our environmental performance to our customers. The Higg Index is a set of indicator-based self-assessment tools that measures sustainability performance of different environment categories. It was developed by the Sustainable Apparel Coalition (SAC), an organization of global apparel and footwear leaders working together to reduce the environmental impact of the industry. In FY2021, Top Form has seven facilities adopted the Higg Index, two in Greater China, four in Thailand and one in Cambodia. The verifications of the score is conducted upon customers' request.

Waste Management[8]

We incorporate 5R's (Replace, Reuse, Reduce, Recover, Reprocess) of waste management principles to minimize, control, and manage operation waste. Top Form also strictly abide by the laws and regulations of each of the operating countries on handling and defining hazardous and non hazardous waste. Below table is the list of relevant laws and regulations Top Form complies with.

Region	Relevant regulations
Greater China	• Standards For Pollution Control On The Storage And Disposal Site For General Industrial Solid Wastes (《一般工業固體廢物貯存、處置場污染控制標準》) GB 18599-2001 • Standard For Pollution Control On Hazardous Waste Storage (《危險廢物貯存污染控制標準》) GB 18597-2001
Thailand	• Factory Act B.E.2535 (1992) • Hazardous Substance Act B.E.2535 (1992) • Industrial Waste Disposal B.E. 2548 (2005)
Cambodia	Sub Decree on Solid waste management (Sub decree number 36 Article 15

Our main operating non hazardous waste comes from material scrap such as fabric and foam, as well as domestic waste, carton boxes and papers. Different types of wastes are sorted and stored so they are efficiently collected by licensed recycler or reused by internal department if possible. Waste handling process and the roles and responsibility are clearly defined in our "Waste Management Manuel", and trainings of sorting different types of production waste, prevent the risk of hazardous waste pollution and avoid wasting resources are provided to workers.

In FY2021, the Group has **reused over 16 tonnes** of carton boxes, paper rolls, and polybags coming from supplier delivery in our own operation. To maximize office paper utilization, recycled single-sided paper is available for selection in our printers and physical approval forms are replaced with online forms for cross functional approvals, which **saved approximately 6,500 sheets of A4 paper** in the reporting year.

Hazardous waste generated by the Group's operations comprise mainly discarded glues barrels and ink cans, contaminated rags and scrap light tubes. Top Form follows the hazardous wastes defined by national regulations, and starting from 1 January 2021, China has implemented an updated version of "National Hazardous Waste List" (《國家危險廢物名錄(2021年版)》) and Top Form has identified 1 tonne of material that falls into the updated Hazardous Waste categories. A professional contractors with qualified credentials approved by local governments was sourced for centralised processing of these hazardous material. Dedicated team and personnel are trained to handle hazardous waste for storage and disposal to lower the risk of accident or non-compliance.

Total waste produced by waste type	FY2021	FY2020
Hazardous (tonnes)	**15**	13
Non Hazardous (tonnes)	**1,390**	1,509
Total	**1,405**	1,522

8 The Group has prioritize environmental target setting in carbon emission and is researching methods to set appropriate waste targets, the disclosure is ready in the next reporting year.

USE OF RESOURCES

Our key production process includes fabric lamination, heat press moulding, raw material cutting, sewing and packaging. No polluting process, such as dyeing and enzyme washing, is involved. Material (including packaging) has a low priority level in the result of materiality assessment and the Group decided not to disclose this information.

The major resource consumed in our manufacturing process is electricity, which accounts for over 90% of the Group's total scope 1 and 2 emissions. Other resources such as water, LPG, diesel and petrol are used for non-production activities such as sanitation, backup power generation, canteen operations and company vehicles. To reduce the demand for air-conditioning, water cooling system is installed in our production floor combining large exhausted fans to help lower the temperature of the working environment by delivering cool breeze from the wet perforated curtains, and the water is pumped and circulated back within the system.

Water Management[9]

Our operation does not consume water in significant quantities, however, we pay close attention to water resources protection and sewage treatment. During our internal environmental audit this year, one of our Mainland China facility has identified aged pipes and planned for replacement in the coming year, it is estimated to **save 1,600 m^3 of leakage** per month and US$10,000 economical saving per year. Moreover, for discharge of wastewater, we planned to establish a wastewater treatment facility for centralized management in Mainland China which complies with "Integrated Wastewater Discharge Standard (GB 8978-1996)" (《污水綜合排放標準(GB 8978-1996)》) Grade 1 requirement.

Domestic wastewater discharge of our Thailand and Cambodia facilities complies with the regulation requirements stated in "Industrial Effluent Standards B.E. 2560" and "Sub-Decree on Water Pollution Control" respectively. Awareness of water conservation is communicated through promotion in employee bulletin boards and training. During the reporting year, Top Form did not encounter any issues in sourcing water that is fit for purpose.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

We actively and regularly engage with internal and external stakeholders through different communication channels, ranging from daily business interactions to once-a-year announcements like our annual report. In this way, we can evaluate their needs and interests on a range of sustainability topics that could provide insight into improving our operations. The targeted stakeholders were employees, investors, customers, suppliers, community partners and industrial association representatives, etc. They were engaged through online surveys and individual interviews.

Following our stakeholder engagement in Fiscal 2019, a material topic is one which may substantially affect our long-term operational viability or substantially influence the assessments and decisions of stakeholders, in view of the pandemic, the material issues were reviewed and discussed with Senior Management and remain significantly relevant to our business:

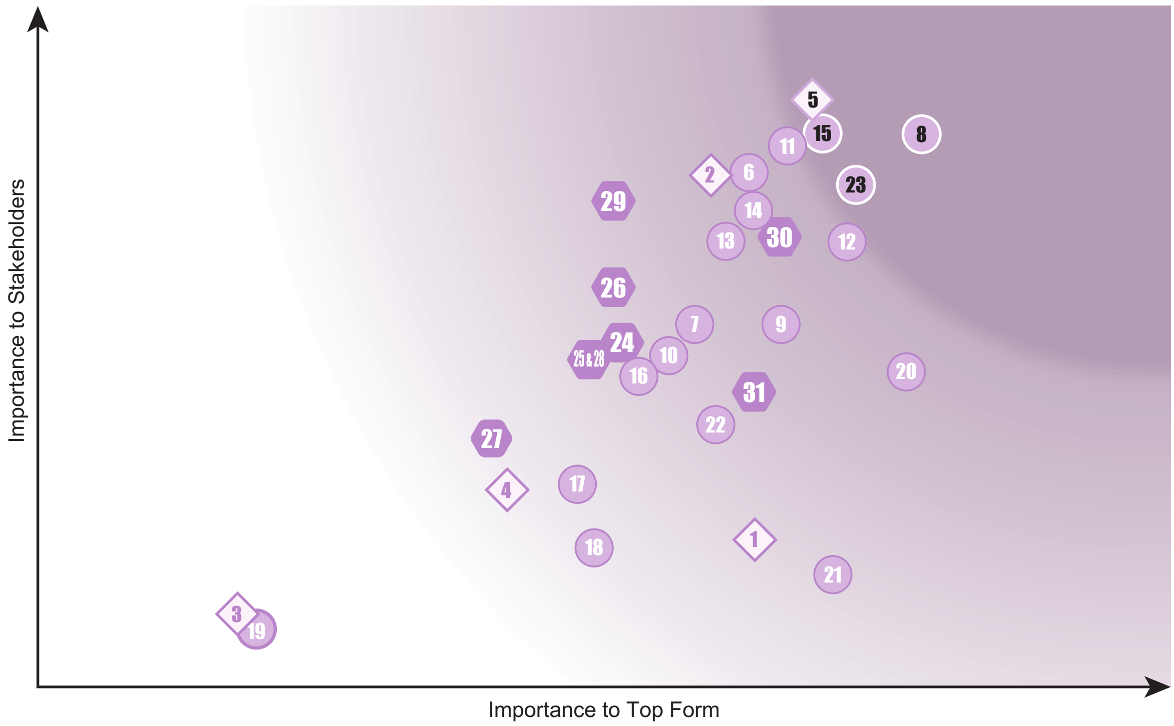
1) Occupational Health and Safety
2) Business Ethics
3) Respecting Human Rights
4) Social Compliance

9 The Group has prioritize environmental target setting in carbon emission and is researching methods to set appropriate water targets, the disclosure is ready in the next reporting year.

The result is included in our Sustainability Strategy and the Group has disclosed the management approach and performance in relations to these material aspects in the report.

Top Form's Sustainability Priorities	Focus Area	Materiality
Save Our Planet	• Pathway to Carbon Reduction • Pathway to Circularity	
Empower Our People	• Ethical Recruiting • Groom Talents • Health & Safety	• Occupational Health and Safety • Business Ethics • Respecting Human Rights • Social Compliance
Build Our Community	• Nourishing Our Community • Women Empowerment	

MATERIALITY MATRIX



Economic	Social		Environment
1 Business Performance	6 Employment	16 Rights of Indigenous Peoples	24 Materials
2 Market Presence	7 Labor/Management Relations	17 Contributions to the development of local communities	25 Energy
3 Indirect Economic Impacts	8 **Occupation Healthy and Safety***	18 Supplier's Social Assesment	26 Water
4 Procurement Practices	9 Training and Staff development	19 Public Policy	27 Biodiversity
5 **Business ethics***	10 Diversity and Equal Opportunity	20 Customer Health & Safety	28 Emissions
	11 Non-Discrimination	21 Marketing and Labeling	29 Effluents and Waste
	12 Child Labor	22 Customer Privacy	30 Environmental Compliance
	13 Forced or Compulsory Labor	23 **Socioeconomic Compliance***	31 Supplier Environmental Assessment
	14 Security Practices		
	15 **Respecting human right***		

* Internal Boundary
** External Boundary

SUPPLEMENTAL DATA

Social KPIs

		FY2021	FY2020
Total Headcount[10]		**7,681**	7,406
Workforce by Region	Greater China	**33%**	34%
	Overseas[11]	**67%**	66%
Workforce by Gender	Female	**88%**	90%
	Male	**12%**	10%
Workforce by Age Group	Over 30	**57%**	60%
	30 and Under	**43%**	40%
Workforce by Rank	Senior Management	**1%**	2%
	Middle Management	**14%**	14%
	General staff	**85%**	84%
Turnover rate[12] **by region**	Greater China	**2%**	[13]
	Overseas	**6%**	
Turnover rate by age group	30 and Under	**6%**	
	Over 30	**3%**	
Turnover rate by gender	Female	**4%**	
	Male	**3%**	

10 The Group only employs full time employee and measure the last working day of the period.

11 Overseas region includes Thailand, Cambodia and Myanmar.

12 The turnover rate is calculated by taking the average annual turnover of the specified category and divided by the headcount of the same category of the recording period. It reflects the overall changes of the year. The definition of turnover follows Appendix 3: Report Guidance on Social KPI of the Listing Rules.

13 New facilities have not developed the proper data collection system of the relevant KPIs during FY2020 reporting period.

Environmental KPIs

		FY2021	FY2020
Total GHG emission (Scope 1 + Scope 2)	Tonnes CO_{2eq}	**11,984**	11,922[14]
Scope 1 Direct GHG Emissions		**698**	601
Scope 2[15] Indirect GHG Emissions		**11,286**	11,321
Greater China		**44%**	44%
Overseas facilities		**56%**	56%

	Resources	Unit	FY2021	FY2020
Energy consumption	Electricity	kWh in '000s	**16,740**	16,787
	Diesel (mobile combustion)		**306**	1,845
	Petrol (mobile combustion)		**288**	233
	LPG (stationary combustion)		**1**	39
	Total energy intensity	kWh/HK$ revenue	**0.012**	0.015
Water consumption	Total water consumption	m^3 in '000s	**125**	154
	Total water intensity	m^3/Headcount	**16.3**	20.8

14 The GHG emission of FY2020 is reinstated due to update of emission factor in different region, FY2021 follows the same emission factor as FY2020.

15 The greenhouse gas emission factors of Greater China and Overseas operation refers to 2019 年度減排項目中國區域電網基準線排放因子，2019 CLP Sustainability Report and the IGES List of Grid Emission Factors Version 10.9 respectively.

Note:

- Our operations do not emit a significant air emissions of NOX, SOX, N2O, CH4 or other pollutions and the Group decided not to disclose this information.
- Material (including packaging) has low priority in the materiality assessment and the Group decided not to disclose this information.

Independent auditor's report

Independent auditor's report to the shareholders of
Top Form International Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Top Form International Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 53 to 120, which comprise the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KEY AUDIT MATTER – CONTINUED

Assessing potential impairment of property, plant and equipment

Refer to note 11 to the consolidated financial statements and the accounting policies in note 2(d) to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
In view of the operating loss sustained by the Group during the current year, management considered that indicators of potential impairment of property, plant and equipment existed as at 30 June 2021. In assessing whether impairment existed at the reporting date, management determined the recoverable amount of the smallest cash generating unit ("CGU") to which these assets were allocated. The recoverable amount of a CGU is the greater of its value in use and the fair value less costs of disposal of the related assets. In order to determine the recoverable amount of each of the CGUs for which indicators of impairment were identified, management prepared a value in use calculation using a discounted cash flow forecast and assessed the fair value of the property by reference to an estimate made by management. The discounted cash flow forecasts used to assess impairment were based on a number of assumptions which required the exercise of significant management judgement, in particular in estimating future revenue, cost of direct materials, staff costs and the discount rate applied. The assessment of the property's fair value also involved significant judgement, particularly in respect of the choice of market comparable transactions. We identified assessing potential impairment of property, plant and equipment as a key audit matter because of the potential significance of any impairment charge to the results of the Group for the year and because forecasting future cash flows can be inherently subjective and require significant management judgement and estimation which increase the risk of error or potential management bias.	Our audit procedures to assess the potential impairment of property, plant and equipment included the following: • challenging the Group's impairment assessment model, which included assessing the impairment indicators identified by management, the identification of CGUs and the allocation of assets to each of the CGUs with reference to the requirements of the prevailing accounting standards; • involving our internal valuation specialists to assist us in assessing the methodology applied by management in its discounted cash flow forecast with reference to the requirements of the prevailing accounting standards and whether the discount rate adopted in the discounted cash flow forecast was comparable with those of companies in the same industry and external market data; • challenging the key assumptions adopted by management in the preparation of the discounted cash flow forecasts by comparing the most significant inputs in the discounted cash flow forecasts, including future revenue, cost of direct materials and staff costs, with the historical performance, industry reports and other available third party information; • comparing the key assumptions included in the discounted cash flow forecast prepared by management in the prior year with the current year's performance to assess the accuracy of the prior year's forecast, making enquiries of management as to the reasons for any significant variations identified and whether these had been considered in the current year discounted cash flow forecasts and considering if there was any indication of management bias; • performing a sensitivity analysis of the discount rate, revenue, cost of direct materials and staff costs in the discounted cash flow forecasts and considering the resulting impact on the impairment charge for the year and whether there were any indicators of management bias; and • for the property's fair value assessed by management based on benchmarking to recent market transactions, challenging management's choice of the market comparable transactions taking into consideration their comparability and other market factors.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG
Certified Public Accountants

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

14 September 2021

Consolidated statement of profit or loss

for the year ended 30 June 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Revenue	4	**1,428,532**	1,236,659
Cost of sales		**(1,190,553)**	(1,056,311)
Gross profit		**237,979**	180,348
Other net income	5	**56,614**	8,766
Selling and distribution expenses		**(60,098)**	(39,685)
General and administrative expenses		**(219,326)**	(225,317)
Profit/(loss) from operations		**15,169**	(75,888)
Finance costs	6(a)	**(6,846)**	(5,459)
Share of profits of a joint venture		**2,989**	2,041
Share of profits of associates		**639**	–
Profit/(loss) before taxation	6	**11,951**	(79,306)
Income tax (expense)/credit	8	**(4,806)**	1,780
Profit/(loss) for the year		**7,145**	(77,526)
Attributable to:			
Equity shareholders of the Company		**2,797**	(77,235)
Non-controlling interests		**4,348**	(291)
Profit/(loss) for the year		**7,145**	(77,526)
Earnings/(loss) per share (2020 restated)	10		
Basic and diluted		**HK$0.011**	HK$(0.332)

The notes on pages 60 to 120 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Profit/(loss) for the year		**7,145**	(77,526)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income - movement in the investment revaluation reserve (non-recycling)		**–**	(5,883)
		–	(5,883)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of operations outside Hong Kong			
– subsidiaries		**4,199**	(6,074)
– a joint venture		**2,317**	(949)
– associates		**(76)**	–
Other comprehensive income for the year, net of income tax		**6,440**	(12,906)
Total comprehensive income for the year		**13,585**	(90,432)
Attributable to:			
Equity shareholders of the Company		**9,210**	(90,165)
Non-controlling interests		**4,375**	(267)
Total comprehensive income for the year		**13,585**	(90,432)

The notes on pages 60 to 120 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2021

(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Non-current assets			
Property, plant and equipment	11	**205,577**	231,709
Investment properties	12	**161,821**	132,467
Interest in a joint venture	13	**27,465**	22,159
Interest in associates	14	**23,756**	–
Other financial assets	15(a)	**2,838**	2,838
Derivative financial instrument	15(b)	**1,402**	1,403
Deferred tax assets	24	**571**	986
Prepayments and deposits		**1,797**	5,682
		425,227	397,244
Current assets			
Inventories	16	**255,868**	180,389
Trade and other receivables	17	**163,171**	143,369
Current tax recoverable		**–**	157
Bank balances and cash	18(a)	**92,217**	122,903
		511,256	446,818
Current liabilities			
Trade payables and accrued charges	19	**261,720**	211,736
Unsecured bank loans	20	**87,980**	97,442
Lease liabilities	21	**13,087**	14,396
Current tax payable		**5,026**	2,005
		367,813	325,579
Net current assets		**143,443**	121,239

Consolidated Statement of Financial Position

at 30 June 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Total assets less current liabilities		**568,670**	518,483
Non-current liabilities			
Lease liabilities	21	**16,504**	21,526
Retirement benefit obligations	23	**4,329**	3,110
Deferred tax liabilities	24	**36,618**	32,485
Other payables		**696**	12,692
		58,147	69,813
Net assets		**510,523**	448,670
Capital and reserves			
Share capital	26	**147,940**	107,519
Reserves		**327,600**	318,228
Equity attributable to equity shareholders of the Company		**475,540**	425,747
Non-controlling interests		**34,983**	22,923
Total equity		**510,523**	448,670

Approved and authorised for issue by the board of directors on 14 September 2021

Wong Kai Chung, Kevin
Chief Executive Officer

Wong Kai Chi, Kenneth
Managing Director

The notes on pages 60 to 120 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2021
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Special reserve (Note (i)) $'000	Share option reserve $'000	Investment revaluation reserve (non-recycling) $'000	Asset revaluation reserve $'000	Translation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
At 1 July 2019		107,519	1,499	233	7,139	–	–	102,890	9,806	286,446	515,532	7,650	523,182
Exchange differences arising on translation of operations outside Hong Kong (including subsidiaries and a joint venture)		–	–	–	–	–	–	–	(7,047)	–	(7,047)	24	(7,023)
Movement on equity investments at fair value through other comprehensive income		–	–	–	–	–	(5,883)	–	–	–	(5,883)	–	(5,883)
Loss for the year		–	–	–	–	–	–	–	–	(77,235)	(77,235)	(291)	(77,526)
Total comprehensive income for the year		–	–	–	–	–	(5,883)	–	(7,047)	(77,235)	(90,165)	(267)	(90,432)
Equity-settled share-based transactions		–	–	–	–	380	–	–	–	–	380	–	380
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	15,540	15,540
At 30 June 2020		107,519	1,499	233	7,139	380	(5,883)	102,890	2,759	209,211	425,747	22,923	448,670

		Attributable to equity shareholders of the Company											
	Note	**Share capital $'000**	**Share premium $'000**	**Capital redemption reserve $'000**	**Special reserve (Note (i)) $'000**	**Share option reserve $'000**	**Investment revaluation reserve (non-recycling) $'000**	**Asset revaluation reserve $'000**	**Translation reserve $'000**	**Retained profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total $'000**
At 1 July 2020		**107,519**	**1,499**	**233**	**7,139**	**380**	**(5,883)**	**102,890**	**2,759**	**209,211**	**425,747**	**22,923**	**448,670**
Exchange differences arising on translation of operations outside Hong Kong (including subsidiaries, a joint venture and associates)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,413**	**-**	**6,413**	**27**	**6,440**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,797**	**2,797**	**4,348**	**7,145**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,413**	**2,797**	**9,210**	**4,375**	**13,585**
Capital contribution from a non-controlling shareholder		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,685**	**7,685**
Equity-settled share-based transactions		**-**	**-**	**-**	**-**	**162**	**-**	**-**	**-**	**-**	**162**	**-**	**162**
Issue of rights shares	**26**	**40,421**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,421**	**-**	**40,421**
At 30 June 2021		**147,940**	**1,499**	**233**	**7,139**	**542**	**(5,883)**	**102,890**	**9,172**	**212,008**	**475,540**	**34,983**	**510,523**

Notes:

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

The notes on pages 60 to 120 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Operating activities			
Profit/(loss) before taxation		**11,951**	(79,306)
Adjustments for:			
Interest income from bank	5	**(224)**	(470)
Interest income from loans to an associate	5	**(335)**	–
Finance costs	6(a)	**6,846**	5,459
Depreciation of property, plant and equipment	6(c)	**51,208**	44,738
Gain on disposal of a property	5	**(27,868)**	–
Gain on disposal of other plant and equipment	5	**(137)**	–
Revaluation loss upon transfer of property, plant and equipment	5	**1,337**	–
Fair value loss on derivative financial instrument	5	**1**	612
Fair value (gain)/loss on investment properties	5	**(3,686)**	5,319
Share of profits of a joint venture		**(2,989)**	(2,041)
Share of profits of associates		**(639)**	–
Loss on disposal of property, plant and equipment	6(c)	**–**	1,063
Equity-settled share-based payment expenses	6(b)	**162**	380
Operating cash inflows/(outflows) before movements in working capital		**35,627**	(24,246)
Increase in prepayments and deposits		**–**	(24)
Increase in inventories		**(75,479)**	(6,290)
(Increase)/decrease in trade and other receivables		**(19,802)**	99,704
Increase/(decrease) in trade payables and accrued charges		**34,986**	(16,492)
Increase in retirement benefit obligations	6(b)	**1,219**	1,156
Cash (used in)/generated from operations		**(23,449)**	53,808
Hong Kong Profits Tax refunded/(paid)		**179**	(229)
Taxation paid in other jurisdictions		**(475)**	(908)
Net cash (used in)/generated from operating activities		**(23,745)**	52,671
Investing activities			
Purchase of property, plant and equipment		**(32,539)**	(68,045)
Interest received		**559**	470
Proceeds from disposal of property, plant and equipment		**28,732**	512
Payment for acquisition of other financial assets		**–**	(8,721)
New loans to an associate		**(19,308)**	–
Increase in prepayments and deposits		**–**	(3,885)
Net cash used in investing activities		**(22,556)**	(79,669)

Consolidated statement of cash flows

for the year ended 30 June 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Financing activities			
Capital element of lease rentals paid	18(b)	**(15,579)**	(11,806)
Interest element of lease rentals paid	18(b)	**(1,308)**	(1,363)
Interest paid	18(b)	**(1,068)**	(1,919)
Other bank charges		**(4,470)**	(2,177)
Proceed from new bank loans	18(b)	**376,857**	471,631
Repayment of bank loans	18(b)	**(386,319)**	(414,564)
Net proceeds from issue of rights shares	26	**40,421**	–
Proceed from capital contribution from a non-controlling shareholder		**7,685**	15,540
Net cash generated from financing activities		**16,219**	55,342
Net (decrease)/increase in cash and cash equivalents		**(30,082)**	28,344
Cash and cash equivalents at the beginning of the year		**122,903**	95,269
Effect of foreign exchange rate changes		**(604)**	(710)
Cash and cash equivalents at the end of the year		**92,217**	122,903
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**92,217**	122,903

The notes on pages 60 to 120 form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a joint venture.

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(a) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(c) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

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

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

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(d) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(o)):

– leasehold land and buildings held for own use;

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Freehold land is not depreciated.

– Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion.

–	Leasehold land and buildings	Over the shorter of the term of the lease, or 2% – 6.5%
–	Other properties leased for own use	Over the unexpired term of leases
–	Leasehold improvements	Over the shorter of the term of the lease, or 20%
–	Furniture, fixtures and equipment	10% – 33%
–	Motor vehicles	20% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(e) Investment properties

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

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

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

(f) Inventories

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

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

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

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Leased assets – continued

(i) As a lessee – continued

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(d) and 2(o)), except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(e).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(u)(ii).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Foreign currencies

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

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

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

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

(i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Employee benefits

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

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

(ii) Long service payments

The Group's net obligations in respect of long service payments are the amounts of future benefits that employees have earned in return for their services in the current and prior periods, calculated in accordance with the relevant laws.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(k) Termination benefits

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Taxation

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Taxation – continued

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and joint ventures, are set out below:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 25(c). These investments are subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

(n) Derivative financial instrument

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Financial assets measured at fair value, including derivative financial assets and other financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Credit losses and impairment of assets – continued

(i) Credit losses from financial instruments – continued

Measurement of ECLs – continued

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

Except for trade receivables that are measured at FVOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For trade receivables that are measured at FVOCI, the loss allowance is recognised in OCI and accumulated in FVOCI reserve without reducing the carrying amount of the receivables. Such amount represents the changes in the FVOCI reserve in relation to accumulated loss allowance.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Credit losses and impairment of assets – continued

(i) Credit losses from financial instruments – continued

Significant increases in credit risk – continued

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

On derecognition of trade receivables at FVOCI, the cumulative gain or loss previously accumulated in the FVOCI reserve is classified to profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Credit losses and impairment of assets – continued

(ii) Impairment of non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(o)).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(p) Trade and other receivables

(i) Trade and other receivables at amortised cost

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(o)(i)).

(ii) Trade receivables at FVOCI (recycling)

Trade receivables at FVOCI (recycling) are stated at fair value. Subsequent changes in the carrying amounts for trade receivables classified as at FVOCI (recycling) as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these trade receivables are recognised in other comprehensive income ("OCI") and accumulated under the heading of FVOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these trade receivables. When these trade receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(i)).

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(o)(i).

(s) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(t) Provisions and contingent liabilities

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

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

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue arising from the sale of ladies' intimate apparel is recognised when the goods are delivered and titles have passed, which is taken to be the point in time when the customer has accepted the goods and obtained the control of the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(v) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(w) Segment reporting

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

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

3 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment of property, plant and equipment

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

4 REVENUE AND SEGMENT INFORMATION

Revenue represents the sale value of goods and is within the scope of HKFRS 15, *Revenue from contracts with customers*. The Group manages its business as a single unit and, accordingly, the manufacturing and sale of ladies' intimate apparel is the only reportable segment and virtually all of the revenue and operating profits is derived from this business segment. The consolidated financial statements are already presented in a manner consistent with the way in which information is reported internally to the Company's executive directors, being the chief operating decision maker, for the purposes of resources allocation and operating performance review.

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

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

All the Group's segment assets and liabilities are under the only reportable segment as at 30 June 2021 and 2020.

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its revenue from sales of goods as the performance obligation is part of a contract that has an original expected duration of one year or less.

4 REVENUE AND SEGMENT INFORMATION – CONTINUED

(a) Geographical information

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

	Revenue from external customers		Specified non-current assets	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Hong Kong	**18,417**	9,454	**22,741**	29,261
USA	**1,072,602**	919,610	**–**	–
Belgium	**97,200**	77,603	**–**	–
The Netherlands	**30,647**	34,316	**–**	–
Spain	**30,150**	43,200	**–**	–
France	**21,379**	32,520	**–**	–
Sri Lanka	**42,547**	34,173	**4,448**	3,885
Canada	**14,747**	14,112	**–**	–
The People's Republic of China ("PRC")	**25,899**	28,334	**227,978**	201,030
Germany	**21,251**	16,704	**–**	–
Italy	**8,434**	3,267	**–**	–
Mexico	**11,838**	7,027	**–**	–
Thailand	**–**	–	**128,441**	144,637
Cambodia	**–**	–	**3,234**	5,781
Myanmar	**–**	–	**14,266**	7,423
Others	**33,421**	16,339	**19,308**	–
	1,428,532	1,236,659	**420,416**	392,017

(b) Information about major customers

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

	2021	2020
	$'000	$'000
Customer A	**678,315**	408,469
Customer B	**356,556**	382,500
Customer C*	**N/A**	124,587

* Revenue from this customer was less than 10% of the Group's total revenue for the year ended 30 June 2021.

5 OTHER NET INCOME

	2021 $'000	2020 $'000
Gain on disposal of property, plant and equipment		
– a property (note 11(c))	**27,868**	–
– other plant and equipment	**137**	–
Government grants (note)	**11,857**	2,196
Gross rental income from investment properties	**8,921**	8,123
Fair value gain/(loss) on investment properties	**3,686**	(5,319)
Sample income	**1,471**	525
Interest income from loans to an associate	**335**	–
Interest income from bank	**224**	470
Fair value loss on derivative financial instrument	**(1)**	(612)
Revaluation loss upon transfer of property, plant and equipment (note 11(b))	**(1,337)**	–
Others	**3,453**	3,383
	56,614	8,766

Note: During the year ended 30 June 2021, the Group received government grants of $11,857,000 (2020: $2,196,000) from the Mainland China and Hong Kong Government, of which $6,661,000 represents funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government.

For government subsidies from the Mainland China government, there were no unfulfilled conditions and other contingencies attached to the receipts of these government subsidies. There is no assurance that the Group will continue to receive such government subsidies in the future.

6 PROFIT/(LOSS) BEFORE TAXATION

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

	2021 $'000	2020 $'000
(a) Finance costs		
Interest expense on bank borrowings	**1,068**	1,919
Interest on lease liabilities	**1,308**	1,363
Other bank charges	**4,470**	2,177
	6,846	5,459

6 PROFIT/(LOSS) BEFORE TAXATION – continued

		2021 $'000	2020 $'000
(b)	**Staff costs**		
	Staff costs, including directors' emoluments (note)	**481,853**	458,309
	Equity-settled share-based payment expenses	**162**	380
	Provision for retirement benefits obligations (note 23)	**1,219**	1,156
	(Reversal of over-provision)/provision for severance payments	**(953)**	2,284
	Reversal of over-provision for social security contributions	**–**	(149)
		482,281	461,980
(c)	**Other items**		
	Auditors' remuneration	**1,983**	1,929
	Depreciation charges		
	– owned property, plant and equipment	**32,682**	27,858
	– right-of-use assets	**18,526**	16,880
	(Reversal of impairment loss)/impairment loss on trade receivables	**(2,274)**	3,140
	Net allowance for obsolete inventories (included in cost of sales)	**1,977**	13,254
	Loss on disposal of property, plant and equipment	**–**	1,063
	Cost of inventories recognised as an expense	**1,188,576**	1,043,057
	Net exchange loss	**10,626**	3,807
	Expense relating to short-term leases and other leases with remaining lease term ending on or before 30 June 2020	**–**	6,391
	Expense relating to short-term leases	**2,087**	–
	Expense relating to leases of low-value assets	**395**	159

Note: Details of director emoluments included in staff costs are disclosed in note 7. Staff costs included amounts in respect of defined contribution retirement benefit schemes contributions of $26,274,000 (2020: $29,309,000).

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

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

	2021 $'000	2020 $'000
Fees to non-executive directors	**–**	1,267
Remuneration to executive directors:		
– Salaries and other benefits	**8,603**	8,287
– Retirement benefit scheme contributions	**54**	54
– Share-based payments	**26**	26
Total directors' emoluments	**8,683**	9,634

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

(a) Directors – continued

	For the year ended 30 June 2021				
	Fees $'000	Salaries and other benefits $'000	Share-based payments $'000	Retirement benefit scheme contributions $'000	Total $'000
Wong Chung Chong	–	**3,327**	–	**18**	**3,345**
Wong Kai Chung, Kevin	–	**2,638**	**13**	**18**	**2,669**
Wong Kai Chi, Kenneth	–	**2,638**	**13**	**18**	**2,669**
Fung Wai Yiu	–	–	–	–	–
Lucas A.M. Laureys	–	–	–	–	–
Herman Van de Velde	–	–	–	–	–
Leung Churk Yin, Jeanny	–	–	–	–	–
Leung Ying Wah, Lambert	–	–	–	–	–
Lin Sun Mo, Willy	–	–	–	–	–
	–	**8,603**	**26**	**54**	**8,683**

All the non-executive directors and independent non-executive directors waived their entitlements to all their emoluments during the year ended 30 June 2021.

	For the year ended 30 June 2020				
	Fees $'000	Salaries and other benefits $'000	Share-based payments $'000	Retirement benefit scheme contributions $'000	Total $'000
Wong Chung Chong	–	3,199	–	18	3,217
Wong Kai Chung, Kevin	–	2,544	13	18	2,575
Wong Kai Chi, Kenneth	–	2,544	13	18	2,575
Fung Wai Yiu	200	–	–	–	200
Lucas A.M. Laureys	200	–	–	–	200
Herman Van de Velde	200	–	–	–	200
Leung Churk Yin, Jeanny	200	–	–	–	200
Chow Yu Chun, Alexander (Retired on 31 October 2019)	67	–	–	–	67
Leung Ying Wah, Lambert	200	–	–	–	200
Lin Sun Mo, Willy	200	–	–	–	200
	1,267	8,287	26	54	9,634

None of the directors waived any emoluments during the year ended 30 June 2020.

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

(b) Employees

Of the five individuals with the highest emoluments in the Group, three (2020: three) were Directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining two (2020: two) individuals were as follows:

	2021 **$'000**	2020 $'000
Salaries and other benefits	**4,255**	4,154
Discretionary bonus	**600**	1,640
Retirement benefit scheme contributions	**36**	36
Share-based payments	**8**	229
	4,899	6,059

The emoluments were within the following bands:

	Number of individuals	
	2021	2020
$2,000,001 – $2,500,000	**1**	–
$2,500,001 – $3,000,000	**1**	1
$3,000,001 – $3,500,000	**–**	1
	2	2

8 INCOME TAX

	2021 $'000	2020 $'000
Current tax:		
Hong Kong	**3,021**	2,001
Other jurisdictions	**471**	101
	3,492	2,102
(Over)/under-provision of current tax in prior years:		
Hong Kong	**(21)**	–
Other jurisdictions	**(1)**	477
	(22)	477
Deferred taxation (note 24)		
Origination and reversal of temporary differences	**1,336**	(4,359)
Income tax expense/(credit)	**4,806**	(1,780)

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

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

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

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

	2021 $'000	2020 $'000
Profit/(loss) before taxation	**11,951**	(79,306)
Tax at the Hong Kong Profits Tax rates	**1,683**	(13,246)
Tax effect of expenses not deductible for tax purposes	**1,790**	2,057
Tax effect of income not taxable for tax purposes	**(7,504)**	(1,331)
Tax effect of tax losses not recognised	**10,074**	11,890
Tax effect of utilisation of tax losses previously not recognised	**(1,583)**	(2,348)
Tax effect of temporary differences not recognised	**174**	605
(Over)/under-provision in prior years	**(22)**	477
Effect of different tax rates of subsidiaries operating in other jurisdictions	**194**	116
Income tax expense/(credit) for the year	**4,806**	(1,780)

9 DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 30 June 2021 and 2020.

10 EARNINGS/(LOSS) PER SHARE

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

	2021 **$'000**	2020 $'000
Profit/(loss) attributable to equity shareholders of the Company for the purpose of computing basic earnings/(loss) per share	**2,797**	(77,235)

	Number of shares **2021**	 2020 (Restated)
Weighted average number of ordinary shares for the purpose of computing basic earnings/(loss) per share	**257,375,668**	232,631,613

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share for the year ended 30 June 2020 has been adjusted to reflect of bonus element in rights issue on 19 February 2021. Basic loss per share for the year ended 30 June 2020 has been restated accordingly.

Diluted earnings/(loss) per share for the years ended 30 June 2021 and 30 June 2020 are same as the basic earnings/(loss) per share as the share options outstanding during the respective years had an anti-dilutive effect on the basic earnings/(loss) per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings $'000	Ownership interests in leasehold land and buildings held for own use carried at depreciated cost $'000	Other properties leased for own use carried at cost $'000	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost:								
At 1 July 2019	24,497	67,547	36,157	89,553	334,038	11,008	6,606	569,406
Currency realignment	(411)	(125)	(319)	(345)	(2,070)	(65)	(98)	(3,433)
Additions	4,367	5,860	8,858	14,688	61,376	2,049	6,174	103,372
Write-off/disposals	(411)	(129)	–	(22,674)	(14,028)	(634)	–	(37,876)
Reclassification	–	–	–	–	6,508	–	(6,508)	–
At 30 June 2020	28,042	73,153	44,696	81,222	385,824	12,358	6,174	631,469
At 1 July 2020	28,042	73,153	44,696	81,222	385,824	12,358	6,174	631,469
Currency realignment	(177)	(1,498)	264	(13)	(3,755)	(167)	(59)	(5,405)
Additions	42	383	8,500	1,514	20,698	–	11,641	42,778
Write-off/disposals	–	(817)	–	(4,104)	(15,697)	(233)	–	(20,851)
Reclassification	–	14,260	–	(276)	1,541	–	(15,525)	–
Transfer from property, plant and equipment to investment properties	–	(14,260)	–	–	–	–	–	(14,260)
At 30 June 2021	27,907	71,221	53,460	78,343	388,611	11,958	2,231	633,731

11 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	Freehold land and buildings $'000	Ownership interests in leasehold land and buildings held for own use carried at depreciated cost $'000	Other properties leased for own use carried at cost $'000	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Depreciation and impairment:								
At 1 July 2019	7,672	47,137	–	78,713	250,595	8,985	–	393,102
Currency realignment	(107)	(46)	(125)	(259)	(1,193)	(49)	–	(1,779)
Charge for the year	1,089	3,750	12,495	6,593	19,606	1,205	–	44,738
Eliminated on write-off/disposals	(208)	(115)	–	(21,629)	(13,715)	(634)	–	(36,301)
At 30 June 2020	8,446	50,726	12,370	63,418	255,293	9,507	–	399,760
At 1 July 2020	8,446	50,726	12,370	63,418	255,293	9,507	–	399,760
Currency realignment	(23)	(540)	(426)	102	(1,444)	(257)	–	(2,588)
Charge for the year	1,353	2,498	15,065	5,776	25,174	1,342	–	51,208
Eliminated on write-off/disposals	–	(817)	–	(4,104)	(14,970)	(233)	–	(20,124)
Reclassification	–	18	–	(18)	–	–	–	–
Transfer from property, plant and equipment to investment properties	–	(102)	–	–	–	–	–	(102)
At 30 June 2021	9,776	51,783	27,009	65,174	264,053	10,359	–	428,154
Net book value:								
At 30 June 2021	18,131	19,438	26,451	13,169	124,558	1,599	2,231	205,577
At 30 June 2020	19,596	22,427	32,326	17,804	130,531	2,851	6,174	231,709

11 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	2021 $'000	2020 $'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term of:			
– between 10 and 50 years		**6**	6
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost outside Hong Kong, with remaining lease term of:			
– 50 years or more		**2,540**	2,663
– between 10 and 50 years		**16,892**	19,758
	(i)	**19,438**	22,427
Other properties leased for own use, carried at depreciated cost	(ii)	**26,451**	32,326
Motor vehicles, carried at depreciated cost	(iii)	**1,341**	2,209
		27,792	34,535
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of:			
– between 10 and 50 years		**149,000**	132,467
– within 10 years		**12,821**	–
		161,821	132,467
		209,051	189,429

11 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

(a) Right-of-use assets – continued

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 **$'000**	2020 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**2,498**	3,750
Other properties leased for own use	**15,065**	12,495
Motor vehicles	**963**	635
	18,526	16,880
Interest on lease liabilities (note 6(a))	**1,308**	1,363
Expense relating to short-term leases and other leases with remaining lease term ending on or before 30 June 2020	**–**	6,391
Expense relating to short-term leases	**2,087**	–
Expense relating to leases of low-value assets	**395**	159

During the year, additions to right-of-use assets were $8,883,000 (2020: $16,501,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(c) and 21 respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several industrial buildings as factories where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire the right-of-use, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses and factories through tenancy agreements. The leases typically run for an initial period of three to fifteen years.

(iii) Motor vehicles

The Group leases motor vehicles under leases expiring from one to four years. None of the leases includes variable lease payments.

(b) Transfer from land and buildings to investment properties

During the year ended 30 June 2021, due to the change of use, part of the Group's land and buildings with net book value of $14,158,000 was transferred to investment properties. Upon the date of transfer, the fair value was determined by directors with reference to the professional valuations using cost approach and were categorised as Level 3 fair value measurement as defined in HKFRS 13, *Fair value measurement*. The fair value as at the date of transfer was determined to be $12,821,000. Accordingly, revaluation loss of $1,337,000 was recognised in consolidated statement of profit or loss and other comprehensive income.

11 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

(c) Disposal of a property

During the year ended 30 June 2021, the Group disposed of a self-owned property with net book value of $Nil to an independent third party at a consideration of $28,000,000 resulting in a net gain on disposal of $27,868,000 after netting off the related transaction costs.

12 INVESTMENT PROPERTIES

	2021 **$'000**	2020 $'000
Fair value		
At the beginning of the year	**132,467**	143,017
Currency realignment	**12,847**	(5,231)
Transfer from property, plant and equipment to investment properties (note 11(b))	**12,821**	–
Fair value gain/(loss) on investment properties	**3,686**	(5,319)
At the end of the year	**161,821**	132,467

The fair value of the Group's investment properties at 30 June 2021 have been arrived at on the basis of a valuation carried out on the respective dates by Vincorn Consulting and Appraisal Limited, an independent qualified professional valuer not connected with the Group. The valuation of investment properties located in the PRC was arrived at using the investment approach by taking into account the current passing rents of the properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenant. The valuation of investment properties located in Myanmar was arrived at using the cost approach with reference to its depreciated replacement costs.

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.

Fair value hierarchy

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

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

12 INVESTMENT PROPERTIES – CONTINUED

Fair value hierarchy – continued

	Fair value at 30 June 2021 $'000	Fair value measurements as at 30 June 2021 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Investment properties:				
– Industrial – PRC	**137,714**	**–**	**–**	**137,714**
– Industrial – Myanmar	**12,821**	**–**	**–**	**12,821**
– Residential – PRC	**11,286**	**–**	**–**	**11,286**

	Fair value at 30 June 2020 $'000	Fair value measurements as at 30 June 2020 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Investment properties:				
– Industrial – PRC	121,873	–	–	121,873
– Residential – PRC	10,594	–	–	10,594

Information about Level 3 fair value measurements

	Unobservable input – Capitalisation rate		Unobservable input – Reversionary potential monthly rent per square meter	
	Range	Weighted average	Range	Weighted Average
Investment properties as at 30 June 2021				
– Industrial – PRC	**1.75% to 2.25%**	**2.17%**	**RMB 88.6 to RMB 91.2**	**RMB 89.6**
– Residential – PRC	**1.5% to 2.0%**	**1.81%**	**RMB 87.6 to RMB 93.2**	**RMB 89.7**

	Unobservable input – Depreciated replacement cost	
	Range	Weighted Average
– Industrial – Myanmar	**USD 219 to USD 285**	**USD 280**

12 INVESTMENT PROPERTIES – CONTINUED

Information about Level 3 fair value measurements – continued

	Unobservable input – Capitalisation rate		Unobservable input – Reversionary potential monthly rent per square meter	
	Range	Weighted average	Range	Weighted Average
Investment properties as at 30 June 2020				
– Industrial – PRC	1.75% to 2.25%	2.14%	RMB 80 to RMB 84.6	RMB 81.7
– Residential – PRC	1.5% to 2.0%	1.90%	RMB 76.9 to RMB 83.4	RMB 81.0

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

The fair value of investment properties located in Myanmar is determined by using the depreciated replacement cost approach which is based on an estimate of the value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The application of depreciated replacement cost approach is mainly due to their lack of active market and comparable transactions for the use of market approach and the lack of sufficient financial data for income approach for these assets. The fair value measurement is positively correlated to the depreciated replacement cost per square meter.

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

	Investment properties – industrial – Myanmar $'000	**Investment properties – industrial – PRC** $'000	**Investment properties – residential – PRC** $'000	**Total** $'000
At 1 July 2019	–	131,600	11,417	143,017
Currency realignment	–	(4,813)	(418)	(5,231)
Fair value adjustment	–	(4,914)	(405)	(5,319)
At 30 June 2020	–	121,873	10,594	132,467
At 1 July 2020	**–**	**121,873**	**10,594**	**132,467**
Currency realignment	**–**	**11,819**	**1,028**	**12,847**
Transferred from property, plant and equipment to investment properties	**12,821**	**–**	**–**	**12,821**
Fair value adjustment	**–**	**4,022**	**(336)**	**3,686**
At 30 June 2021	**12,821**	**137,714**	**11,286**	**161,821**

12 INVESTMENT PROPERTIES – CONTINUED

Information about Level 3 fair value measurements – continued

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

The Group leases out investment property under operating leases. The leases typically run for an initial period of 2 to 6 years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain leases include variable lease payment terms that are based on the revenue of tenants.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2021	2020
	$'000	$'000
Within 1 year	**9,900**	8,581
After 1 year but within 2 years	**9,259**	8,377
After 2 year but within 3 years	**1,610**	7,787
After 3 year but within 4 years	**209**	1,239
	20,978	25,984

Property rental income earned during the year was $8,921,000 (2020: $8,123,000). All of the properties held have committed tenants for the next 1 to 4 years.

13 INTEREST IN A JOINT VENTURE

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

Name of joint venture	Place of incorporation and business	Particulars of issued and paid-up capital	Effective percentage of equity interest held	Principal Activity
Charming Elastic Fabric Company Limited ("Charming")	Hong Kong	Ordinary – $4,662,396	49%	Manufacture of elastic garment straps

The Group has entered into a shareholders' agreement (the "Shareholders' Agreement") with New Horizon International Investments Limited ("New Horizon"), a wholly-owned subsidiary of Best Pacific International Holdings Limited, on 4 November 2015. According to the Shareholders' Agreement, the Group shall have the right to dispose of part or all of its interest in Charming to New Horizon from 1 July 2020 to 30 June 2022. The Group has not exercised such right as of the date of this report.

Under the Shareholders' Agreement, the substantive operating and financing decisions related to Charming are under the joint control by the Group and New Horizon when the Group's shareholding in Charming is 20% or above. As a result, the Group account for its interest in Charming as a joint venture both in 2020 and 2021.

13 INTEREST IN A JOINT VENTURE – CONTINUED

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

	2021 $'000	2020 $'000
Gross amounts of Charming's		
Current assets	**44,925**	28,514
Non-current assets	**17,314**	17,590
Current liabilities	**(9,369)**	(4,063)
Equity	**(52,870)**	(42,041)
Included in the above assets and liabilities:		
Cash and cash equivalents	**6,758**	2,101
Current financial liabilities (excluding trade and other payables and provisions)	**(1,365)**	(888)
Revenue	**64,561**	57,683
Profit from continuing operations after taxation	**6,101**	4,165
Other comprehensive income	**4,728**	(1,937)
Total comprehensive income	**10,829**	2,228
Included in the above profit:		
Depreciation and amortisation	**2,471**	2,611
Reconciled to the Group's interest in Charming		
Gross amounts of Charming's net assets	**52,870**	42,041
Group's effective interest	**49%**	49%
Group's share of Charming's net assets	**25,907**	20,601
Disproportionate share of undistributed profits (Note)	**1,558**	1,558
Carrying amount in the consolidated financial statements	**27,465**	22,159

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

14 INTEREST IN ASSOCIATES

	2021 $'000	2020 $'000
Group's share of net assets	**4,448**	–
Loans to an associate	**19,308**	–
	23,756	–

The loans to an associate are unsecured, interest bearing at a rate of 3% to 5% per annum and are repayable within two years from the respective drawn down dates.

14 INTEREST IN ASSOCIATES – CONTINUED

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

Name of associate	Place of incorporation and business	Particulars of issued and paid-up capital	Effective percentage of equity interest held	Principal Activity
Techspase (Private) Limited	Sri Lanka	Ordinary – USD2,000,000	25%	Moulding and laminating business
PT Bintang Abadi Persada	Indonesia	Ordinary – Rp 1,420,000,000	29.60%	Manufacture of ladies' underwear

15 OTHER FINANCIAL ASSETS

(a) Equity securities designated at FVOCI (non-recycling)

	2021 **$'000**	2020 $'000
Unlisted equity securities	**2,838**	2,838

The Group designated the investment in equity securities at FVOCI (non-recycling) as the investment is held for strategic purposes.

The unlisted equity securities are shares in a company incorporated in the PRC and engaged in trading of ladies' underwear in the PRC. The directors of the Group consider the fair value of this investment is $2,838,000 (2020: $2,838,000) as at 30 June 2021.

(b) Derivative financial instrument

Pursuant to the Shareholders' Agreement mentioned in note 13, the Group is entitled the right to exercise its option ("the Exit Option") to require New Horizon to buy out all or part of the issued shares of Charming held by the Group at any time during the period of two years from 1 July 2020 to 30 June 2022 at a price set out in the Shareholders' Agreement. The Exit Option is recognised as a derivative financial instrument at fair value through profit or loss. The loss on fair value change of such Exit Option of $1,000 for the year (2020: $612,000) is recognised in profit or loss.

16 INVENTORIES

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

	2021 $'000	2020 $'000
Raw materials	**102,820**	95,160
Work in progress	**60,229**	31,349
Finished goods	**92,819**	53,880
	255,868	180,389

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

	2021 $'000	2020 $'000
Carrying amount of inventories sold	**1,188,576**	1,043,057
Allowance for obsolete inventories	**8,565**	13,254
Reversal of allowance for obsolete inventories	**(6,588)**	–
	1,190,553	1,056,311

The reversal of allowance for obsolete inventories made in prior years was the result of use of obsolete inventories in the production process.

17 TRADE AND OTHER RECEIVABLES

	2021 **$'000**	2020 $'000
Trade receivables at amortised cost, net of loss allowance	**72,079**	78,937
Trade receivables to be factored at fair value through other comprehensive income (recycling)	**60,176**	33,695
Other receivables	**30,916**	30,737
	163,171	143,369

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

As part of the Group's cash flow management, the Group has the practice of factoring some of the trade receivables to financial institutions before the trade receivables are due for repayment and derecognises factored trade receivables on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties.

As at 30 June 2021, the effective interest rates of the factored trade receivables at FVOCI (recycling) ranged from 1.36% to 3.45% per annum (2020: 1.82% to 3.45% per annum). Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 25(c). As at 30 June 2021, the fair value changes on trade receivables at FVOCI (recycling) are insignificant and accordingly, no fair value changes are recognised in equity as FVOCI reserve.

Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2021 **$'000**	2020 $'000
1 – 90 days	**123,787**	80,085
91 – 180 days	**8,468**	32,547
	132,255	112,632

Trade receivables are due within 10 days to 90 days from the date of billing. Details on the Group's credit policy are set out in note 25(b)(ii).

18 BANK BALANCES AND CASH

(a) Bank balances and cash comprise:

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.001% to 0.98% (2020: 0.001% to 1.35%) per annum.

18 BANK BALANCES AND CASH – continued

(b) Reconciliation of liabilities arising from financing activities

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

	Unsecured bank loans $'000 (Note 20)	Lease Liabilities $'000 (Note 21)	Total $'000
At 1 July 2020	**97,442**	**35,922**	**133,364**
Changes from financing cash flows:			
Proceeds from new bank loans	**376,857**	**–**	**376,857**
Repayment of bank loans	**(386,319)**	**–**	**(386,319)**
Interest paid	**(1,068)**	**–**	**(1,068)**
Capital element of lease rentals paid	**–**	**(15,579)**	**(15,579)**
Interest element of lease rentals paid	**–**	**(1,308)**	**(1,308)**
Total changes from financing cash flows	**(10,530)**	**(16,887)**	**(27,417)**
Exchange adjustments	**–**	**748**	**748**
Other changes:			
Interest expenses (note 6(a))	**1,068**	**1,308**	**2,376**
Increase in lease liabilities from entering into new leases during the year	**–**	**8,500**	**8,500**
Total other changes	**1,068**	**9,808**	**10,876**
At 30 June 2021	**87,980**	**29,591**	**117,571**

18 BANK BALANCES AND CASH – CONTINUED

(b) Reconciliation of liabilities arising from financing activities – continued

	Unsecured bank loans $'000 (Note 20)	Lease Liabilities $'000 (Note 21)	Total $'000
At 1 July 2019	40,375	37,296	77,671
Changes from financing cash flows:			
Proceeds from new bank loans	471,631	–	471,631
Repayment of bank loans	(414,564)	–	(414,564)
Interest paid	(1,919)	–	(1,919)
Capital element of lease rentals paid	–	(11,806)	(11,806)
Interest element of lease rentals paid	–	(1,363)	(1,363)
Total changes from financing cash flows	55,148	(13,169)	41,979
Exchange adjustments	–	(208)	(208)
Other changes:			
Interest expenses (note 6(a))	1,919	1,363	3,282
Increase in lease liabilities from entering into new leases during the year	–	10,640	10,640
Total other changes	1,919	12,003	13,922
At 30 June 2020	97,442	35,922	133,364

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2021 $'000	2020 $'000
Within operating cash flows	**2,482**	6,391
Within financing cash flows	**16,887**	13,169
	19,369	19,560

19 TRADE PAYABLES AND ACCRUED CHARGES

	2021 $'000	2020 $'000
Trade payables	**144,146**	119,760
Other payables and accrued charges	**117,574**	91,976
	261,720	211,736

All of the trade payables and accrued charges are expected to be settled within one year or are repayable on demand.

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

	2021 $'000	2020 $'000
Current	**102,234**	86,780
1 – 30 days past due	**28,315**	28,342
31 – 60 days past due	**9,571**	1,118
Over 60 days past due	**4,026**	3,520
	144,146	119,760

As the average credit period on purchases of goods is ranged from 30 to 60 days, a majority of the balances which as disclosed above are within 90 days from the invoice date.

20 UNSECURED BANK LOANS

At 30 June 2021 and 2020, the unsecured bank loans were repayable as follows:

	2021 $'000	2020 $'000
Within one year or on demand	**87,980**	97,442

At 30 June 2021, the Company provided guarantee for bank loans of certain subsidiaries. Such banking facilities amounted to $110,000,000 (2020: $110,000,000). The facilities were utilised to the extent of $87,980,000 (2020: $97,442,000).

All of the Group's bank loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. During the year ended 30 June 2020, the Group did not fulfil one of the covenants required in the agreement of which the Group has currently drawn an amount of $79,984,000. This banking facility has been renewed during the year ended 30 June 2021. At 30 June 2021, none of the covenants relating to draw down facilities had been breached.

At 30 June 2021, the Group's effective interest rate per annum was 1.21% (2020: 1.35%).

21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting:

	2021		2020	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**13,087**	**13,333**	14,396	14,609
After 1 year but within 2 years	**9,807**	**10,396**	8,984	9,518
After 2 years but within 5 years	**6,697**	**7,295**	12,542	13,934
	16,504	**17,691**	21,526	23,452
	29,591	**31,024**	35,922	38,061
Less: total future interest expenses		**(1,433)**		(2,139)
Present value of lease liabilities		**29,591**		35,922

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution passed on 3 November 2011 (the "Adoption Date"), a new share option scheme (the "Scheme") of the Company was adopted for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board, and the Scheme will end on 2 November 2021. Under the Scheme, the Board may grant options to eligible employees, including directors, executives or officers of the Company and its subsidiaries and any other persons at the discretion of the Board to subscribe for shares in the Company. The options vest after three years from the date of grant and are then exercisable within a period of two years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

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

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

On 30 September 2019, 5,920,000 share options were granted for $1 consideration to directors and employees of the Company under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on 30 September 2022, and then be exercisable until 2024. The exercise price is $1.172, being the average closing price for the five business days immediately preceding the date of grant.

The total number of Shares which may be issued upon exercise of all share options to be granted under the Scheme as at 30 June 2021 was 16,788,810 (as at 30 June 2020: 15,583,762), representing approximately 5.58% of the issued share capital of the Company as at 30 June 2021 (as at 30 June 2020: 7.25%).

As a result of the rights issue on 19 February 2021, the exercise price of the share options granted on 30 September 2019 was adjusted from $1.172 to $1.044 and the number of outstanding share options was adjusted from 5,920,000 to 6,645,836.

(Expressed in Hong Kong dollars unless otherwise indicated)

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS – CONTINUED

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

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 30 September 2019	400,000	Three years from the date of grant	5 years
Options granted to employees:			
– on 30 September 2019	5,520,000	Three years from the date of grant	5 years
Total share options granted	5,920,000		

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

	Weighted average exercise price	Number of options
Outstanding at 1 July 2019	–	–
Granted during the year	$1.172	5,920,000
Outstanding at 30 June 2020 and 1 July 2020	$1.172	5,920,000
Adjustments due to rights issue during the year (note 26)		725,836
Lapsed during the year	$1.044	(1,930,884)
Outstanding at 30 June 2021	$1.044	4,714,952
Exercisable 30 June 2021		–

The options outstanding at 30 June 2021 had an exercise price of $1.044 (2020: $1.172) and a weighted average remaining contractual life of 3 years (2020: 4 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS – continued

(c) Fair value of share options and assumptions

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 Option Pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Option Pricing.

	Options granted on 30 September 2019
Fair value of share options and assumptions	
Fair value at measurement date	$0.19
Share price	$1.15
Exercise price	$1.172
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Option Pricing model)	34.46%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Option Pricing model)	5 years
Expected dividends	5.76%
Risk-free interest rate (based on Hong Kong Government 10-year Bond)	1.62%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

23 RETIREMENT BENEFIT OBLIGATIONS

	2021 $'000	2020 $'000
At the beginning of the year	**3,110**	1,954
Provision recognised in profit or loss	**1,219**	1,156
At the end of the year	**4,329**	3,110

A provision has been made by the Company based on the best estimate of the long service payments that are required to be made to employees in respect of their service to date, less any amounts that would be expected to be met out of the Company's contributions to its defined contribution retirement scheme and mandatory provident fund.

(a) Provision for long service payments

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

(b) Defined contribution schemes

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

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

The Group registers its employees in Thailand with Workmen's Compensation Fund and Social Security Fund as required by laws in Thailand. The Group is required to make annual contributions to the Workmen's Compensation Fund and monthly contributions to the Social Security Fund, and the only obligation of the Group with respect to these funds is to make the required contributions.

The total cost charged to consolidated statement of profit or loss of $26,274,000 (2020: $29,309,000) represents contributions payable to these schemes by the Group in respect of the current year.

24 DEFERRED TAXATION

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

	2021 **$'000**	2020 $'000
Net deferred tax asset recognised in the consolidated statement of financial position	**571**	986
Net deferred tax liability recognised in the consolidated statement of financial position	**(36,618)**	(32,485)
	(36,047)	(31,499)

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

	Revaluation of properties $'000	**Unrealised loss on inventories** $'000	**Total** $'000
At 1 July 2019	35,122	2,043	37,165
Credited to profit or loss	(1,330)	(3,029)	(4,359)
Currency realignment	(1,307)	–	(1,307)
At 30 June 2020 and 1 July 2020	32,485	(986)	31,499
Charged to profit or loss	921	415	1,336
Currency realignment	3,212	–	3,212
At 30 June 2021	36,618	(571)	36,047

At the end of the reporting period, the Group has unused tax losses of $230,486,000 (2020: $182,597,000) available for offset against future profits which no deferred tax asset has been recognised due to the unpredictability of future profit streams. During the year, tax losses of $Nil (2020: $8,259,000) expired and were no longer available to offset against future profits. Included in unrecognised tax losses of the Group are losses of $18,480,000 (2020: $21,692,000), $28,446,000 (2020: $22,505,000), $Nil (2020: $2,939,000) attributable to subsidiaries in the PRC, Thailand and Cambodia respectively, that will gradually expire up to 2026. The unrecognised tax losses relating to subsidiaries in Hong Kong were $183,560,000 (2020: $135,460,000) and do not expire under current tax legislation.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was $36,268,000 (2020: $24,950,000). No liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

25 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 $'000	2020 $'000
Financial assets		
Derivative financial instrument	**1,402**	1,403
Trade receivables and other receivables	**143,330**	128,018
Bank balances and cash	**92,217**	122,903
	236,949	252,324
Financial liabilities		
Trade payables and accrued charges	**262,416**	224,428
Lease liabilities	**29,591**	35,922
Unsecured bank loans	**87,980**	97,442
	379,987	357,792

(b) Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instrument, other financial assets, trade receivables at amortised cost, trade receivables at FVOCI (recycling), other receivables, lease liabilities, trade payables, other payables, bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

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

(1) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 13% (2020: 12%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, while almost 52% (2020: 49%) of purchase costs are not denominated in the group entity's functional currency. The Group does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

25 FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

(i) Market risk – continued

(1) Currency risk – continued

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

	Assets		Liabilities	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Euro ("EUR")	**1,498**	432	**–**	3
Renminbi ("RMB")	**19,619**	26,733	**27,527**	24,187
USD	**51,413**	37,023	**14,080**	8,291
HK$	**4,264**	5,203	**911**	51,178

The above assets and liabilities include trade receivables at amortised cost, trade receivables at FVOCI (recycling), other receivables, trade payables, other payables, bank balances and cash denominated in EUR, RMB, USD and HK$. In addition, the Group is exposed to currency risk arising from inter-company receivables and payables denominated in Thai Baht ("THB") which is not the functional currency of the borrower entity to which they related. The net inter-company payables amounted to $38,826,000 (2020: $55,341,000) as at 30 June 2021.

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changes at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HK$ and USD would be materially unaffected by any changes in movement in value of the USD against currencies. The sensitivity analysis includes external receivables and payables and also current accounts with the group entities where the denomination of the current accounts is in a currency other than the functional currency of the relevant group entities.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in post-tax profit and retained profits**	Increase/(decrease) in foreign exchange rates	(Increase)/decrease in post-tax loss and increase/(decrease) retained profits
	%	**$'000**	%	$'000
EUR	**5**	**63**	5	18
	(5)	**(63)**	(5)	(18)
RMB	**5**	**(916)**	5	(718)
	(5)	**916**	(5)	718
THB	**5**	**3,329**	5	3,024
	(5)	**(3,329)**	(5)	(3,024)

25 FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(i) Market risk – continued

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from unsecured bank loans. Unsecured bank loans issued at variable rates expose the Group to cash flow interest rate risk. The Group monitors the level of its variable rate borrowings and manages the contractual terms of the interest-bearing financial assets and liabilities. For this purpose, the Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Group's interest rate profile as monitored by management is set out in below.

Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

		2021		2020	
	Note	**Effective interest rate %**	**Amount $'000**	Effective interest rate %	Amount $'000
Variable rate borrowings:					
Unsecured Bank loans	20	**1.21%**	**87,980**	1.35	97,442

Sensitivity analysis

At 30 June 2021 it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately $880,000 (2020: increased/decreased the Group's loss after taxation and decreased/increased retained profit by $974,000). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit (2020: loss) after taxation (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit (2020: loss) after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

25 FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at 30 June 2021 and 2020, 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 respect of trade receivables, 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. Therefore, the Directors of the Company consider that the Group's credit risk is minimised and ECL allowance is considered insignificant.

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the market demand in the intimate apparel industry and economic conditions in the USA and Europe. At the end of the reporting period, the Group had a certain concentration risk as approximately 77% (2020: 76%) of trade receivables was due from the top five major customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience indicates different loss patterns for different customer segments, the loss allowance is further distinguished between the Group's different customer bases. Specific loss allowance of $1,142,000 (2020: $3,140,000) is recognised as at 30 June 2021 for a customer with financial difficulties. The credit risk for trade receivables of the remaining customers is limited after considering actual loss experience over the past years, economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	$'000
Balance at 1 July 2019	–
Impairment losses recognised during the year	3,140
Balance at 30 June 2020 and 1 July 2020	3,140
Reversal of impairment during the year	(2,274)
Balance at 30 June 2021	866

25 FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

(iii) Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. At 30 June 2021, the Group had undrawn bank borrowing facilities of $22,020,000 (2020: $12,558,000).

Liquidity tables

	Within 1 year $'000	After 1 year but within 2 year $'000	After 2 years but within 5 years $'000	After 5 years $'000	Total undiscounted cash flows $'000	Carrying amount at 30 June $'000
2021						
Non-derivative financial liabilities						
Trade payables and accrued charges	**247,405**	**697**	**–**	**6,457**	**254,559**	**254,559**
Lease liabilities	**13,333**	**10,396**	**7,295**	**–**	**31,024**	**29,591**
Unsecured bank loans	**87,980**	**–**	**–**	**–**	**87,980**	**87,980**
	348,718	**11,093**	**7,295**	**6,457**	**373,563**	**372,130**
2020						
Non-derivative financial liabilities						
Trade payables and accrued charges	181,165	12,692	–	8,191	202,048	202,048
Lease liabilities	14,609	9,518	13,934	–	38,061	35,922
Unsecured bank loans	97,442	–	–	–	97,442	97,442
	293,216	22,210	13,934	8,191	337,551	335,412

25 FINANCIAL INSTRUMENTS – continued

(c) Fair value

(i) Financial assets measured at fair value

Fair value hierarchy

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

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

Information about Level 2 fair value measurements

	Fair value as at 30 June		**Valuation technique and significant inputs**
	2021	2020	
	$'000	$'000	
Trade receivables at FVOCI (recycling)	**60,176**	33,695	Risk-adjusted discount rates of ranged from 1.36% to 3.45% (2020: 1.82% to 3.45%) per annum quoted by the banks

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Weighted average**
Unlisted equity securities	Market -comparable approach	Discount for lack of marketability	30% (2020: 30%)
Derivative financial instrument	Monte Carlo model	Discount for lack of marketability	29.77% (2020: 21%)
		Weighted average cost of capital ("WACC")	17.13% (2020: 16.8%)
		Expected volatility	35.54% (2020: 30.81%)

25 FINANCIAL INSTRUMENTS – CONTINUED

(c) Fair value – continued

(i) Financial assets measured at fair value – continued

Information about Level 3 fair value measurements – continued

The fair value of unlisted equity investments is determined using: (i) the net assets value adjusted for lack of marketability discount; (ii) the price/earnings and enterprise value/Earnings Before Interest, Taxes, Depreciation and Amortization("EBITDA") ratios of comparable listed companies adjusted for lack of marketability discount. The fair value is negatively correlated to the discount for lack of marketability.

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

It is estimated that with all other variables held constant, a decrease/increase in:

	2021		2020	
	Increase/ (decrease) in unobservable inputs	**Effect on profit after taxation and total comprehensive income**	Increase/ (decrease) in unobservable inputs	Effect on loss after taxation and total comprehensive income
	%	**$'000**	%	$'000
Discount for lack of marketability	**5**	**355**	5	(327)
	(5)	**(348)**	(5)	335
Weighted average cost of capital	**3**	**357**	3	(344)
	(3)	**(404)**	(3)	526
Expected volatility	**10**	**344**	10	(275)
	(10)	**(305)**	(10)	301

25 FINANCIAL INSTRUMENTS – CONTINUED

(c) Fair value – continued

(i) Financial assets measured at fair value – continued

Information about Level 3 fair value measurements – continued

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

	Unlisted equity securities $'000	Derivative financial instrument $'000
At 1 July 2019	–	2,015
Payment for acquisition	8,721	–
Changes in fair value recognised in profit or loss during the year	–	(612)
Changes in fair value recognised in other comprehensive income during the year	(5,883)	–
At 30 June 2020	2,838	1,403
At 1 July 2020	2,838	1,403
Changes in fair value recognised in profit or loss during the year	–	(1)
At 30 June 2021	2,838	1,402

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2021 and 30 June 2020.

26 SHARE CAPITAL AND RESERVES

Authorised and issued share capital

	2021 No. of shares	2021 Amount $'000	2020 No. of shares	2020 Amount $'000
Ordinary shares of $0.50				
Authorised:				
At 1 July	**300,000,000**	**150,000**	300,000,000	150,000
Increase in authorised share capital	**300,000,000**	**150,000**	–	–
At 30 June	**600,000,000**	**300,000**	300,000,000	150,000
Issued and fully paid:				
At 1 July	**215,037,625**	**107,519**	215,037,625	107,519
Shares issued on 19 February 2021 pursuant to rights issue	**86,015,050**	**40,421**	–	–
At 30 June	**301,052,675**	**147,940**	215,037,625	107,519

On 12 January 2021, the authorised share capital of the Company was increased from $150,000,000 divided into 300,000,000 shares to $300,000,000 divided into 600,000,000 shares by the creation of additional 300,000,000 shares of par value of $0.50 each.

On 19 February 2021, the Company completed a rights issue of 86,015,050 rights shares at the subscription price of $0.50 per rights share on the basic of two rights shares for every five shares at the Company. The net proceeds from rights issue were $40,421,000 after deducting directly attributable costs of $2,587,000.

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

27 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the financial statements were as follows:

	2021 $'000	2020 $'000
Contracted for	**1,797**	1,247

28 RELATED PARTY TRANSACTIONS/BALANCES

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

(a) Transactions with related companies

	2021 $'000	2020 $'000
Sales of goods to a related party (note (i))	**97,114**	77,594
Interest income from loans to an associate (note (ii))	**335**	–
Subcontracting fee to an associate	**20,342**	–

Note

(i) During the year, the Group processed supplied materials and delivered the finished products to a related company, Van de Velde N.V. ("VdV") for revenue of approximately $97,114,000 (2020: $77,594,000).

Mr. Herman Van de Velde, a non-executive director of the Company, has a beneficial interest in VdV, which held an interest of 25.66% (2020: 25.66%) in the Company as at 30 June 2021.

As at 30 June 2021, the balance of trade receivables from VdV amounted to $4,064,000 (2020: $1,951,000) which are aged less than 30 days.

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

(ii) During the year ended 30 June 2021, the Group made loans of $19,308,000 to an associate. The loans to an associate are unsecured, interest bearing at a rate of 3% to 5% per annum and are repayable within two years from the respective drawn down dates.

(b) Compensation of key management personnel

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

	2021 $'000	2020 $'000
Salaries and other benefits	**19,296**	21,348
Retirement benefits scheme contributions	**144**	144
Share-based payments	**163**	380
	19,603	21,872

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

29 CAPITAL RISK MANAGEMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2021 are as follows:

Name of company	Place of incorporation/ registration	Issued share capital/ registered capital	Proportion of issued ordinary share capital/ registered capital held directly/ indirectly by the Company %	Principal activities
Foshan Nanhai Top Form Underwear Co., Ltd.# 佛山市南海黛麗斯內衣有限公司	The PRC	Capital contribution – $20,800,000	100	Manufacture of ladies' underwear
Grand Gain Industrial Limited 建盈實業有限公司	Hong Kong	Ordinary – $100,000	60	Moulding and laminating business
Juliana Consulting Services (Shenzhen) Co. Ltd.# 茱莉安娜咨詢服務(深圳) 有限公司	The PRC	Capital contribution – $8,000,000	100	Provision of consultancy services in relation to ladies intimate apparel and accessories
Long Nan Grand Gain Underwear Co., Ltd.# 龍南縣建盈內衣有限公司	The PRC	Capital contribution – US$1,800,000	60	Moulding and laminating business
Long Nan County Top Form Underwear Co., Ltd# 龍南縣黛麗斯內衣有限公司	The PRC	Capital contribution – $57,000,000	100	Manufacture of ladies' underwear
Marguerite Lee Limited	Hong Kong	Ordinary – $250,000	100	Trading of ladies' underwear
Meritlux Garment (Shenzhen) Co., Ltd# 漫多姿服裝（深圳）有限公司	The PRC	Capital contribution – $23,000,000	100	Manufacture and trading of ladies' underwear
Shenzhen Top Form Underwear Co., Limited^ 深圳黛麗斯內衣有限公司	The PRC	Capital contribution – RMB4,993,000	70	Property investment and provision of consultancy services in relation to ladies intimate apparel and accessories
Top Form Brassiere Mfg. Co., Limited 黛麗斯胸圍製造廠有限公司	Hong Kong	Ordinary – $100 Deferred – $4,000,000	100	Manufacture and trading of ladies' underwear
Top Form (B.V.I.) Limited*	British Virgin Islands	Ordinary – US$50,000	100	Investment holding
Top Form Brassiere (Maesot) Co., Ltd	Thailand	Ordinary – Baht56,000,000	100	Manufacture of ladies' underwear
Topfull Development Limited 統富發展有限公司	Hong Kong	Ordinary – $2	100	Property holding in the PRC
Unique Form Manufacturing Company Limited 特麗儂內衣製造廠有限公司	Hong Kong	Ordinary – $1,000 Deferred – $200	100	Trading of ladies' underwear

(Expressed in Hong Kong dollars unless otherwise indicated)

30 PRINCIPAL SUBSIDIARIES – CONTINUED

Name of company	Place of incorporation/ registration	Issued share capital/ registered capital	Proportion of issued ordinary share capital/ registered capital held directly/ indirectly by the Company %	Principal activities
Top Form (Cambodia) Company Limited	Cambodia	Ordinary – US$1,000,000	100	Manufacture of ladies' underwear
Louisa Lee Limited	Hong Kong	Ordinary – $1,820,000	51	Trading of ladies underwear
Goal Plus Investment Limited	Hong Kong	Ordinary – US$7,000,000	60	Investment holding
Top Form Myanmar Company Limited	Myanmar	300,000 ordinary shares of US$1.00 each	100	Manufacture of ladies' underwear
Top Form Seamless Manufacturing Company Limited	Thailand	600,000 ordinary shares of Baht100 each	60	Manufacture of seamless products

* Directly held by the Company

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

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

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

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

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

As at 30 June 2021, for Top Form Brassiere Mfg. Co., Limited and Unique Form Manufacturing Company Limited, the deferred shares carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies. On winding-up, the holders of the deferred shares are entitled to one half of the remaining assets of the respective companies after the first $100 trillion has been distributed equally amongst the holders of the ordinary shares.

None of the subsidiaries had any debt securities subsisting as at 30 June 2021 or at any time during the year.

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(a) Financial position of the Company

	Note	2021 $'000	2020 $'000
Non-current assets			
Interests in subsidiaries		**871,495**	871,495
Current assets			
Other receivables		**157**	151
Bank balances		**955**	61
Current tax receivable		**–**	133
		1,112	345
Current liabilities			
Trade payables and accrued charges		**2,014**	2,167
Net current liabilities		**(902)**	(1,822)
Total assets less current liabilities		**870,593**	869,673
Non-current liabilities			
Amount due to a subsidiary		**484,475**	523,306
		386,118	346,367
Capital and reserves	31(b)		
Share capital	26	**147,940**	107,519
Reserves		**238,178**	238,848
		386,118	346,367

Approved and authorised for issue by the board of directors on 14 September 2021

Wong Kai Chung, Kevin
Chief Executive Officer

Wong Kai Chi, Kenneth
Managing Director

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION – CONTINUED

(b) Equity movement of the Company

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

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Contributed surplus $'000	Retained profits $'000	Total $'000
At 1 July 2019	107,519	1,499	233	124,802	113,908	347,961
Loss and total comprehensive income for the year	–	–	–	–	(1,594)	(1,594)
At 30 June 2020 and 1 July 2020	107,519	1,499	233	124,802	112,314	346,367
Issue of rights shares (note 26)	40,421	–	–	–	–	40,421
Loss and total comprehensive income for the year	–	–	–	–	(670)	(670)
At 30 June 2021	147,940	1,499	233	124,802	111,644	386,118

(c) Distributability of reserves

At 30 June 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $236,446,000 (2020: $237,116,000).

(Expressed in Hong Kong dollars unless otherwise indicated)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 30 June 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUMMARY OF GROUP PROPERTIES

INVESTMENT PROPERTIES

Location	Existing use	Term of lease
Levels 6 to 8 of Block 523, Bagualing Industrial Zone, Futian District, Shenzhen City, Guangdong Province, the PRC	Industrial	Medium
Twenty units on Level 1 of Bagualing Single Apartment Block 29 (Type B), Bagua 2nd Road, Futian District, Shenzhen City, Guangdong Province, the PRC	Residential	Medium
Portion A on Level 6 (twelve units on the west) of Pengji Single Apartment Block 44, Bagualing Industrial Zone, Futian District, Shenzhen City, Guangdong Province, the PRC	Residential	Medium
Level 2-4 of Block 424, Bagualing Industrial Zone, Bagua 3rd Road, Futian District, Shenzhen City, Guangdong Province, the PRC	Industrial	Medium
No.614, Myintta Lin Myaing, Aung Chan Thar Quarter, Myintta Lin Myaing Village, Myawaddy, Kayin State, Myanmar	Industrial	Short

FIVE YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	2017 $'000	2018 $'000	2019 $'000	2020 $'000	**2021** **$'000**
Year ended 30 June					
Revenue	1,126,008	1,281,021	1,225,402	1,236,659	**1,428,532**
Profit/(loss) before taxation	8,451	15,082	(59,409)	(79,306)	**11,951**
Income tax (expense)/credit	(2,473)	(2,735)	(3,382)	1,780	**(4,806)**
Profit/(loss) for the year	5,978	12,347	(62,791)	(77,526)	**7,145**
Attributable to:					
– Equity shareholders of the Company	5,397	12,869	(61,224)	(77,235)	**2,797**
– Non-controlling interests	581	(522)	(1,567)	(291)	**4,348**
	5,978	12,347	(62,791)	(77,526)	**7,145**

ASSETS AND LIABILITIES

	2017 $'000	2018 $'000	2019 $'000	2020 $'000	**2021** **$'000**
At 30 June					
Total assets	721,698	715,058	819,468	844,062	**936,483**
Total liabilities	(165,798)	(162,596)	(296,286)	(395,392)	**(425,960)**
	555,900	552,462	523,182	448,670	**510,523**
Equity attributable to:					
– Equity shareholders of the Company	546,020	543,017	515,532	425,747	**475,540**
– Non-controlling interests	9,880	9,445	7,650	22,923	**34,983**
	555,900	552,462	523,182	448,670	**510,523**