TOP FORM
INTERNATIONAL LIMITED

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Annual Report 2013

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Fung Wai Yiu, *Chairman* (3)
Mr. Wong Chung Chong, Eddie,
Group Managing Director (3)
Mr. Wong Kai Chi, Kenneth
Mr. Wong Kai Chung, Kevin

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Leung Yim Yu

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nomination Committee

PRINCIPAL OFFICE

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

AUTHORISED REPRESENTATIVES

Mr. Fung Wai Yiu
Mr. Wong Chung Chong, Eddie

PRINCIPAL BANKERS

Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITOR

Deloitte Touche Tohmatsu

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

The debt crisis in Europe and the sluggish global market which have discouraged spending and weakened demand, together with the deteriorating operating environment in Asia resulted from rising costs, and shortage of factory workers, continue to present immense challenges to manufacturing companies.

The Group nevertheless during the fiscal year managed to improve its loss from HK$61.2 million recorded in the previous year to HK$3.7 million in the fiscal year under review, on a smaller scale of sales at HK$1,054 million as compared with the previous year.

We are thankful to the strategic move we took to exit from manufacturing operation in Shenzhen. We suffered from a short term loss of capacity and a decline in sales but we have benefitted from a less expensive cost structure. We are confident that the expansions in Thailand and Cambodia, which are ongoing, will soon return the Group to growth and profit.

Your Board, having taken into account of the current business climate, our cash position and investment needs, has decided not to propose a final dividend for the fiscal year ended 30 June 2013.

While there is no reason to predict a strong market recovery in the near future, we neither do not expect the present economy to go worse than what we have already weathered through. We are in fact optimistic in our future because of the changes we have made. The process of which might be costly and slow, but we have to date largely repositioned the company in terms of cost structure, product capabilities, customer mix and sales directions.

— We have completed the exit of manufacturing operation from Shenzhen, the most expensive manufacturing location in China.
— We have put up new manufacturing facilities in Thailand and in Cambodia not only to replace the loss production in Shenzhen, but to dwarf the weighing of China cost in our global capacity.
— We have successfully expanded our product capability especially in the area of non-conventional skills with thanks to our enhanced R&D functions.
— We have changed our market mix and added customers for a much diverse and balanced sales portfolio.

I would like to report some key personnel changes in the Group.

Michael Austin, previously our Chief Financial Officer, has left us in March 2013 to pursue his personal interests in retirement life. Michael in his 9 years of association with us made valuable contributions to the Group. On behalf of the Board and our management team, I want to express our appreciation for his quality service. Vivian Chan, previously our Group Financial Controller, has succeeded Michael as our new Group Chief Financial Officer. Vivian came from a solid professional background and she has been with us for many years. She is well suited to oversee the Group's finance functions.

Having been leading the Group for 17 years, it is time for me to address my succession plan as I am looking forward to my retirement that is scheduled for the second half of 2014. Personal reasons aside, it is important that Top Form being a 40 years old company refreshed its leadership by bringing in new talents and new thoughts with a view to sustain its vitality and to prosper in the ever changing business environment. Our nomination committee is considering several candidates and my successor will be announced as soon as the nomination is finalized. In the meantime, I will ensure an orderly transition before my departure.

On behalf of the Board members, I would like to thank our shareholders for their support and understanding, and our employees for their hard work and special efforts in taking on the challenges during these difficult times.

Fung Wai Yiu
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Revenue		Profit (loss/expenses)	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Manufacturing	**1,054,451**	1,132,391	**12,902**	(46,572)
Corporate	**–**	–	**(14,940)**	(14,620)
	1,054,451	1,132,391	**(2,038)**	(61,192)

For the year ended 30 June 2013, the Group recorded manufacturing sales revenue of HK$1,054 million compared to HK$1,132 million in the previous year.

The loss before taxation has been narrowed down to HK$2 million from a loss of HK$61.2 million in fiscal 2012. After tax loss was HK$3.7 million compared to a loss of HK$61.2 million in previous year.

Our fiscal 2012 results were severely impacted by the exit costs incurred from our decision to cease the manufacturing operations of the plant in Shenzhen and the air freight costs and materials write offs arising from the operational issues in Thailand.

MANUFACTURING

During the year our core OEM business recorded global sales of 29.6 million units of ladies' intimate apparel products, mainly brassieres, compared to 32.4 million units in 2012.

Our first half accounted for 15.1 million units compared to 16.6 million units in 2012. In our second half we sold 14.5 million units compared to 15.8 million units in 2012.

In monetary terms 49% of our sales were to the US market compared to 54% in the previous year. The EU accounted for 29% (28% in the previous year) and the rest of the world 22% (18% in the previous year). The US and EU markets continued to be challenging and price sensitive.

In the fiscal year, China accounted for 55% of our global capacity, Thailand 40% and Cambodia 5%.

Gross margin improved from 15% to 17%. The closure of the manufacturing operations in our Shenzhen plant had a positive impact on the cost efficiency of our PRC operations. The operational issues in Thailand, which negatively impacted our performance in the fiscal year 2012, have been satisfactorily addressed.

However, during the second half of fiscal year, the escalating labor cost arising from the further increases in the minimum wage in the PRC, Thailand and Cambodia has impacted the manufacturing operations in all locations. This, together with the continuous dwindling supply of labor in China and the appreciation of RMB has impacted on costs. This cost pressure is mitigated by the improvement in the cost efficiency of the plants in aggregate. Accordingly, the gross margin has increased moderately to 17% for current year.

Having addressed the operational issues in our Thailand plant, the selling and distribution expenses reduced significantly to HK$27 million (2012: HK$43 million).

The capacity buildup of our Thailand and Cambodian plants by adding new headcounts is ongoing and encouraging. We believe our ongoing strategy of shifting production to low cost regions outside China is crucial to the growth and long term profitability of our business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

The financial position of the Group remains healthy with shareholders' funds standing at HK$500 million as at 30 June 2013 compared with HK$498 million at the previous year end. Bank balances and cash stood at HK$136 million whilst credit facilities available to the Group amounted to HK$159 million and gearing remained at an insignificant level.

At the balance sheet date, our investment properties in Shenzhen have been revalued by an external professional valuer and accordingly a revaluation gain amounted to HK$2.3 million (net of tax) is credited to the income statement for the year.

During the year, we have rented out additional self-owned properties in Shenzhen and accordingly the properties are reclassified as investment properties which are revalued by an external professional valuer at a fair value of approximately HK$4.2 million, of which HK$3 million (net of tax) is credited to the asset revaluation reserve.

Capital expenditure during the year amounted to HK$20.3 million compared to HK$39.1 million in the previous year.

CORPORATE

The costs attributable to our corporate cost centre for the year remained flat at HK$15 million.

OUTLOOK

There is no reason to expect a strong recovery in the global economic environment in the near future. The markets remain challenging and price driven. To counter the challenging markets, we will continue to strengthen our product capabilities and seek for capacity expansion to maintain the long term growth of our business.

We will continue to focus on improving the operational efficiency to mitigate the ongoing cost pressure in all locations, to build up the productivity in our Thailand and Cambodian plants and maintaining rigorous cost controls in all areas of the Group's business.

We are confident that the strategic move we made has well positioned ourselves to take on the opportunities when the market returns.

Wong Chung Chong, Eddie
Group Managing Director

CORPORATE GOVERNANCE REPORT

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

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

- A.4.1 — Non-executive Directors 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.

- A.4.2 — The Chairman and the Group Managing Director are not, while holding such office, 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 these roles and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.

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

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A A.1	**DIRECTORS** **The Board** ***Code Principle*** The Board should assume responsibility for leadership and control of the issuer; and be responsible for directing and supervising the company's affairs. The Board should take decisions objectively in the best interests of the issuer, and should regularly review the contribution required from a director to perform his responsibilities to the Company.		
A.1.1	• Regular board meetings at least four times a year.	✓	• The Board held 4 regular meetings during the year. • Details of Directors' attendance records are set out below: *Executive Directors* — *Attendance* Fung Wai Yiu *(Chairman)* 4/4 Wong Chung Chong, Eddie *(Group Managing Director)* 4/4 Wong Kai Chi, Kenneth 4/4 Wong Kai Chung, Kevin 4/4 *Non-executive Directors* Lucas A.M. Laureys 2/4 Herman Van de Velde 3/4

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			Independent Non-executive Directors — *Attendance* Marvin Bienenfeld 2/4 Chow Yu Chun, Alexander 4/4 Leung Churk Yin, Jeanny 4/4 Leung Ying Wah, Lambert 4/4 Lin Sun Mo, Willy 3/4 * Mr. Wong Chung Chong, Eddie 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.
A.1.2	• All directors be given an opportunity to include matters in the agenda for regular board meetings.	✓	• Regular Board meetings are scheduled at least 3 months in advance to give Directors the opportunity to include matters in the agenda.
A.1.3	• Notice of at least 14 days be given for regular board meetings.	✓	• At least 14 days formal notice is given before each regular meeting.
A.1.4	• Minutes of board meetings and board committee meetings should be kept by a duly appointed secretary of the meeting and open for inspection by directors.	✓	• The Company Secretary is responsible for taking minutes of Board meetings and Board Committee meetings. Such minutes are open for inspection by Directors.
A.1.5	• Minutes should record in sufficient detail the matters considered and decisions reached. • Draft and final version of minutes should be sent to all directors for comments within a reasonable time.	✓	• Minutes recorded in sufficient detail matters considered and decisions reached. • Directors are given an opportunity to comment on draft Board minutes which are sent to Directors within a reasonable time (generally within 14 days) of the relevant meeting. • The signed Board minutes are placed on record after the same have been reviewed and agreed amongst the Board members.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.1.6	• Agreed procedure for directors to seek independent professional advice at the company's expense.	✓	• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company if the Company Secretary considers that such seeking of advice is necessary and appropriate.
A.1.7	• If a substantial shareholder or a director has a conflict of interest in a material matter, a physical board meeting be held. • Independent non-executive directors who have no material interest in the transaction be present at such meeting.	✓	• There is a prescribed list of matters reserved for Board decision which includes approval of material connected transactions and matters involving a conflict of interest for a substantial shareholder or Director. • Such matters are considered at a full Board meeting. The Company's Bye-laws provide for voting and quorum requirements conforming with Code Provisions.
A.1.8	• Appropriate insurance cover in respect of legal action against directors.	✓	• There is in place appropriate insurance covering Directors' and Officers' liability.
A.2	**Chairman and Chief Executive** ***Code Principle*** There should be a clear division of responsibilities between the Chairman and the Chief Executive of the issuer to ensure a balance of power and authority.		
A.2.1	• Roles of chairman and chief executive should be separated and performed by separate individuals. • Division of responsibilities between chairman and chief executive should be clearly established and set out in writing.	✓	• The positions of the Chairman and the Group Managing Director are held by separate individuals. • The Chairman focuses on Group strategic and Board issues. The Group Managing Director has overall Chief Executive responsibility for Group operations and development generally.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.2.2	• The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	✓	• The Chairman, with the support of the Group Managing Director and the Company Secretary, has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities. • Board meetings are structured to encourage open discussion and frank debate.
A.2.3	• The chairman should be responsible for ensuring that directors receive adequate information, which is accurate, clear, complete and reliable in a timely manner.	✓	• Board papers are normally sent to Directors at least three days before Board meetings.
A.2.4 to A.2.9	Important roles for chairman including: • Drawing up and approving agenda for each board meeting. • Ensuring establishment of good corporate governance practices and procedures. • Encouraging all directors to make a full and active contribution to Board affairs, voice their concerns with different views and ensure the board decisions fairly reflected board consensus. • Holding meeting with non-executive directors and promoting a culture of openness and debate by facilitating effective contribution of non-executive directors. • Ensuring effective communication between the Board and shareholders.	✓	• The Chairman, together with the Company Secretary, draws up agenda for each Board meeting after consultation with the relevant parties. The Chairman will also include in the agenda any matters proposed by other Directors. • The Chairman plays a key role in driving corporate governance development and a leading role in the corporate governance function held by the Board. • A Board calendar of meeting dates is normally planned prior to the beginning of a fiscal year. All Directors take active interest in Company affairs and participated in Board meetings with open debates for contribution to the Company. • The Chairman meets with Non-executive Directors (including Independent Non-executive Directors) at least annually. They participate in Board meetings with open debates and bring independent judgments and constructive comments to the Board. • General meetings are held at least once a year in which the Chairman and the Group Managing Director are present to answer any questions from shareholders. At the 2012 annual general meeting, the Chairman, the Group Managing Director and the other majority Board members were present to answer questions from shareholders. Shareholders can also access the Company's latest information by visiting the Company's website (www.topformbras.com). The Company has also set up procedures where shareholders can send enquiries and concerns to the Board and such procedures and other policies concerning shareholders communication and shareholders' rights of the Company are available for review on the Company's website.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.3	**Board Composition** ***Code Principle*** The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer and shall include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgments can effectively be exercised.		
A.3.1	• Independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	✓	• The composition of the Board represents a well balanced mixture of skills and experience appropriate for the requirements of the business of the Company. • Review of the Board composition is made regularly by the nomination committee. • The composition of the Board by category is disclosed in all corporate communications and the updated biographical details of the Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management" and on the website of the Company (www.topformbras.com).
A.3.2	• Maintain on the website an updated list of directors identifying their role and function and whether they are independent non-executive directors.	✓	• Biographies and designations of Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management and also published on the Company's website and are updated periodically. A list of names of Directors and their roles and functions is also published on the HKExnews website (www.hkexnews.hk) and the Company's website.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.4	**Appointments, Re-election and Removal** ***Code Principle*** These should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals.		
A.4.1	• Non-executive directors should be appointed for a specific term and subject to re-election.	*Deviation explained*	• 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.
A.4.2	• All directors appointed to fill a casual vacancy should be subject to election by shareholders at the next general meeting after their appointment.	✓	• In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the next general meeting following their appointment.
	• Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	*Deviation explained*	• 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 and the Group Managing Director 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 roles of Chairman and Group Managing Director and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.
A.4.3	• Election of an independent non-executive director serving more than nine years. Include reason why considered to be independent and why should be re-elected.	✓	• The Company strongly supports the principle of Board independence. • None of the Independent Non-executive Directors retiring and offering for re-election at the forthcoming annual general meeting has served the Board as an independent non-executive director for more than nine years.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.5	**Nomination Committee**		
A.5.1 to A.5.3	• The Company should establish a nomination committee which is chaired by the Chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors. Written terms of reference specifying its authority and duties should be published on Stock Exchange's and the Company's website.	✓	• The Company established a Nomination Committee in February 2012, comprising Fung Wai Yiu as Chairman, and other directors namely Wong Chung Chong, Eddie, Herman Van de Velde, Marvin Bienenfeld, Chow Yu Chun, Alexander, Leung Churk Yin, Jeanny, Leung Ying Wah, Lambert and Lin Sun Mo, Willy, representing a majority of Independent Non-executive Directors. • Written terms of reference which follows closely the requirements of the Code Provisions have been adopted by the Board and are available for review on HKExnews website and the Company's website. • During the year under review, an executive committee comprising six senior executives of the Company has been formed, its functions include the formulation and execution of the Group's strategic developments and business plannings. The Nomination Committee had held a meeting to discuss and assessed each individual executive's competence and professional experiences and agreed for its formation. • Details of their attendance records at the meeting are set out below: *Executive Directors* — *Attendance* Fung Wai Yiu *(Chairman)* — 1/1 Wong Chung Chong, Eddie *(Group Managing Director)* — 1/1 *Non-executive Directors* Herman Van de Velde — 1/1 *Independent Non-executive Directors* Marvin Bienenfeld — 1/1 Chow Yu Chun, Alexander — 1/1 Leung Churk Yin, Jeanny — 1/1 Leung Ying Wah, Lambert — 1/1 Lin Sun Mo, Willy — 1/1
A.5.4	• Nomination Committee should be provided with sufficient resources to perform its duties and should seek independent professional advice at the issuer's expense where necessary.	✓	• The Committee is authorized by the Board to seek outside legal or other independent professional advice where necessary. It may also secure the attendance of outsiders with relevant experience if it considers appropriate.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.5.5	• A proposal for election of an individual as independent non-executive director at the general meeting, the issuer should include in a circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reason why such individual to be considered as independent.	✓	• No appointment of independent non-executive director during the year under review.
A.6	**Responsibilities of Directors** ***Code Principle*** All directors (including non-executive directors) are required to keep abreast of their responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.		
A.6.1	• Every newly appointed director should receive a comprehensive, formal induction to ensure that he has a proper understanding of the issuer's operations and business; his responsibilities under the listing rules, applicable regulatory requirements, business and governance policies of the issuer.	✓	• The Chairman and Company Secretary will usually brief the newly appointed Director for the duties and responsibilities he/she may perform as a Director of the Company and other regulatory requirements he/she may observe. • Directors are provided at quarterly Board meetings with comprehensive reports on the management's strategic plans, updates on business, financial objectives, plans and actions. • The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements. Memos or emails are issued from time to time to keep Directors up to date with changes in Listing Rules and other regulations relevant to Directors in the discharge of their duties.
A.6.2	• Function of non-executive directors include: — participate in board meetings and bring an independent judgment to the board — take the lead where potential conflicts of interest arise — serve on board committees if invited — scrutinise the issuer's performance	✓	• Non-executive Directors participated actively in the affairs of the Company by attending the Board meetings and Board committee meetings and would be able to give independent advice and judgement on matters being discussed. If considered necessary, they will seek guidance and direction from the Chairman and the Group Managing Director on the future business direction and strategic plans so as to gain a comprehensive understanding of the business of the Company to exercise their independent judgment.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			• Non-executive Directors review the financial information and operational performance of the Group on a regular basis. • The Audit Committee of the Company is wholly comprised of Independent Non-executive Directors. The Compensation Committee is wholly comprised of Non-executive Directors, with the majority being Independent Non-executive Directors. The Nomination Committee and Corporate Governance Function are comprised of all categories of Directors, with the majority being Independent Non-executive Directors.
A.6.3	• Directors should ensure that they can give sufficient time and attention to the affairs of the issuer.	✓	• There was satisfactory attendance for Board and Board Committee meetings during the year. Please refer to A.1.1, A.5.1, B.1.2 and C.3.4 for details.
A.6.4	• Directors must comply with the Model Code. • Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	✓	• The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 unpublished inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.6.5	• Directors should participate in continuous professional development, with appropriate emphasis on the roles, functions and duties of a listed company director.	✓	• The Company Secretary has provided all Directors with relevant directors' guides for their discharge of duties and updates on changes of relevant rules and regulations. • During the year, the Directors' knowledge and skills are continuously developed and refreshed by reading materials and guidelines or by attending seminars on subjects relating to Director's duties and responsibilities, Corporate Governance Code updates and Disclosure of Insider Information. Records of the Directors' training during the year under review are as follows: **Directors** — **Reading Materials and Guidelines/Seminars** *Executive Directors* Fung Wai Yiu *(Chairman)* ✓ Wong Chung Chong, Eddie *(Group Managing Director)* ✓ Wong Kai Chi, Kenneth ✓ Wong Kai Chung, Kevin ✓ *Non-executive Directors* Lucas A.M. Laureys ✓ Herman Van de Velde ✓ *Independent Non-executive Directors* Marvin Bienenfeld ✓ Chow Yu Chun, Alexander ✓ Leung Churk Yin, Jeanny ✓ Leung Ying Wah, Lambert ✓ Lin Sun Mo, Willy ✓
A.6.6	• Directors should disclose at the time of appointment (and at subsequent times) all offices held in other public companies and other significant commitments.	✓	• On appointment Directors have disclosed all relevant information to the Board. They will disclose any change of such information to the Company in a timely manner and such information is updated in annual reports and the Company's website.
A.6.7	• Directors should ensure regular attendance and active participation at board, board committee and general meetings through which to demonstrate their skills, expertise and varied backgrounds and qualifications.	✓	• The Board reviews regularly each Director's performance and contribution to the Company. • There was satisfactory attendance for Board, Board Committee and general meetings during the year. Please refer to A.1.1, A.5.1, B.1.2 and C.3.4 for details. • During Board and Board Committee meetings, there were open discussions amongst the Board and Board Committee members and constructive advice was given to the Board. Directors and chairmen of respective Board Committees were available at general meetings to answer questions from shareholders.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.6.8	• Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	✓	• Details on the roles and functioning of as well as the work performed by Non-executive Directors (including Independent Non-executive Directors) are set out above.
A.7	**Supply of and Access to Information** ***Code Principle*** Directors should be provided in a timely manner with appropriate information so as to enable them to make an informed decision and to perform their duties and responsibilities.		
A.7.1	• Board papers should be sent to all directors at least three days before regular board or board committee meetings.	✓	• Board papers are circulated not less than three days before regular Board or Board Committee meetings.
A.7.2	• Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable. • Each director should have separate and independent access to senior management for making further enquiries where necessary.	✓	• The Chief Financial Officer and Company Secretary are in attendance at all regular Board and Board Committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters. • Senior management is from time to time brought into formal and informal contact with the Board at Board meetings and other events to give briefings and advices on matters discussed at the meetings.
A.7.3	• Directors are entitled to have access to board papers and related materials; queries raised by directors should be responded promptly and fully.	✓	• Board papers and related materials are circulated to Directors three days prior to Board meetings and Board Committee meetings and are made available for inspection at any time by Board members and Committee members. • The Executive Directors and Chief Financial Officer, with the support of the Company Secretary, play a leading role in ensuring that queries are answered promptly and fully.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
B B.1	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION** **The Level and Make-up of Remuneration and Disclosure** ***Code Principle*** A formal and transparent procedure should be established for setting policy on executive director remuneration and remuneration packages for all directors. No director should be involved in deciding his own remuneration.		
B.1.1	• The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors and have access to independent professional advice if necessary.	✓	• The Company established a Compensation Committee in 2001. • There is close liaison and consultation between the Committee and the Chairman and the Group Managing Director on all human resource issues. • Committee members are aware that access to professional advice is available if considered necessary.
B.1.2	• Terms of reference of the remuneration committee to include: — make recommendations to the board on policy and structure for remuneration of all directors and senior management. — review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives.	✓	• The terms of reference of the Compensation Committee follow closely the requirements of the Code Provisions that have been adopted by the Board. • The Compensation Committee has the responsibility delegated by the Board to review and assess the remuneration packages of individual executive directors and senior management and make recommendations to the Board for approval. • During the year, members of the Committee had held a meeting at which the following issues were reviewed, discussed and approved amongst all the committee members: — the remuneration packages of Executive Directors and senior management;

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
	— either to determine, with delegated responsibility, specific remuneration packages of individual executive directors and senior management; or to make recommendations to the Board for this purpose. — make recommendations to the Board on remuneration of non-executive directors. — consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group. — review and approve the compensation payable to executive directors and senior management on loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct. — ensure that no director or any of his associates is involved in deciding his own remuneration.		• The Committee is comprised of the following members and details of their attendance records at the meeting are set out below: *Independent Non-executive Directors* — *Attendance* Marvin Bienenfeld *(Chairman)* 1/1 Leung Churk Yin, Jeanny 1/1 Leung Ying Wah, Lambert 1/1 *Non-executive Director* Herman Van de Velde 1/1 • The Committee reviews compensation policies of the Group on a regular basis. • The compensation policy of the Group is designed to reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals. • The Group's compensation policy for Non-executive Directors is to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group. • No individual Director is involved in deciding his own remuneration.
B.1.3	• The remuneration committee should make available its terms of reference and the authority delegated to it by the board.	✓	• The terms of reference of the Compensation Committee are available for review on the HKExnews website and the Company's website.
B.1.4	• The remuneration committee should be provided with sufficient resources to perform its duties.	✓	• Independent professional advice will be brought to supplement internal resources where appropriate.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
B.1.5	• Details of remuneration to senior management should be disclosed by band in annual reports.	✓	• Details of remuneration paid to members of senior management for the year are as follows: HK$ Salaries and other benefits 6,677,611 Retirement benefit scheme contributions 60,000 Number of individuals HK$500,001 to HK$1,000,000 3 HK$1,000,001 to HK$1,500,000 3
	Recommended Best Practices		
B.1.6	• A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	✓	• Details of remuneration of Executive Directors are disclosed on an individual basis in the annual report. A significant proportion of the compensation of Executive Directors and senior management is based on individual performance and the financial performance of the Group.
C C.1	**ACCOUNTABILITY AND AUDIT** **Financial Reporting** ***Code Principle*** The Board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.		
C.1.1	• Management to provide explanation and information to the board to enable it to make an informed assessment of financial and other information put forward to the board for approval.	✓	• Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis.
C.1.2	• Management to provide monthly updates to the Board in sufficient details for its assessment of the issuer's performance, position and prospect.	✓	• Management provides monthly accounts or updates to Board members, whenever necessary, facilitating a balanced and understandable assessment and appraisal of the Company's performance, position and prospect.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.1.3	• The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.	✓	• The Directors annually acknowledge their responsibility for preparing the financial statements of the Group. • The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to: — 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
	• A statement by the auditors regarding their reporting responsibilities in the auditors' report on the financial statements. • Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.		• The Auditors' Report states auditors' reporting responsibilities. • Directors are not aware of any matters and uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.
C.1.4	• Directors should explain in annual reports by separate statement the basis on which the issuer generates or preserves value over the longer term (business model) and the strategy for delivering such objectives.	✓	• This information is stated in the "Chairman's Statement" and "Management Discussion and Analysis" sections in annual reports.
C.1.5	• The Board should present a balanced, clear and understandable assessment in annual/interim reports and other financial disclosures required under the Listing Rules and other statutory requirements.	✓	• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and financial position in all shareholder communications. • The Board is aware of the requirements under the Listing Rules about timely disclosure of inside information regarding the Company and will arrange to issue and publish such announcements as and when the occasions arise. The Company Secretary will consult and seek legal advice on the materiality and sensitivity of certain material and connected transactions and advise the Board accordingly.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.2	**Internal Controls** ***Code Principle*** The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investments and the issuer's assets.		
C.2.1	• The directors should at least annually conduct a review of the effectiveness of the internal control systems of the issuer and its subsidiaries and report that they have done so in their Corporate Governance Report. • The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	✓	• The Board, with the support of Internal Audit Department, has overall responsibility for maintaining sound and effective internal control and risk management system of the Group. • The Internal Audit department conducts reviews on the internal control systems of the Company and its subsidiaries on a regular basis and then reports their findings to the audit committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			• The review covers all material controls, including financial, operational, and compliance controls and risk management functions. An annual audit plan will be submitted to the Audit Committee for review and endorsement at the beginning of each financial year. In addition to the planned audit schedule, Internal Audit Department also carries out other review and audit works on an ad hoc basis should there be a material or significant issue arising from business/operational units that would be detrimental to the business objectives and developments of the Group. The Board is generally satisfied as to the effectiveness of the internal control systems of the Company and its subsidiaries during the year under review.
C.2.2	• The annual review should consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.	✓	• There have been sufficient and adequate resources put in place within the Group to perform the accounting and financial reporting function. The finance team, lead 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 function. Monthly operational review meetings are held with each of the regional and business unit heads to evaluate their performance against the targets set in the annual budget and ongoing matters. • Adequate training is provided with to the finance team. 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.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
	Recommended Best Practices		
C.2.3	• The board's annual review should, in particular consider: — the changes since the last annual review in the nature and extent of significant risks, and the issuer's ability to respond to changes in its business and the external environment. — the scope and quality of management's ongoing monitoring of risks and of internal control systems, and where applicable, the work of its internal audit function and other assurance providers. — the extent and frequency of communication of monitoring results to the board which enables it to assess control of the issuer and the effectiveness of risk management. — significant control failings or weaknesses that have been identified during the period. — the effectiveness of the issuer's processes for financial reporting and Listing Rule compliance.	✓	• The review by the Board considered all these matters. • There were no significant control failings or weakness identified.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.2.4	• Narrative statement on compliance with code provisions on internal control including: — process used to identify, evaluate and manage significant risks — additional information to explain its risk management processes and internal control system — acknowledgement by the board that it is responsible for the internal control system and its effectiveness — process used to review the effectiveness of the internal control system — process used to resolve material internal control defects for any significant problems disclosed in annual reports and accounts.	✓	• The Board has overall responsibility for internal control system and reviewing its effectiveness. • The Group has in place an internal control system which is designed in light of the nature of the business as well as the organization structure. The Group's system of internal control includes a defined management structure with limits of authority and is designed to further the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislation and regulations. The system is 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. • Senior management adopts a hands-on approach to the operations of the business and delegation of authority is limited. • Detailed operational and financial budgets are prepared and reviewed by the responsible Directors prior to being adopted.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			• Robust controls are in place for the recording of complete, accurate and timely accounting and management information. Comprehensive monthly management accounts are prepared, reviewed with, and distributed to appropriate senior managers. In addition, monthly operational review meetings of various operating plants are held. The Chairman and the Group Managing Director play leading roles in these meetings. • The Head of Internal Audit has direct access to the Chairman of the Audit Committee. The work plan of the Internal Audit Department focuses on those areas of the Group's activities with the greatest perceived risk and the plan is reviewed and approved by the Audit Committee. The results of internal audit reviews and corresponding remedial actions taken are reported to the Executive Directors and Audit Committee periodically.
C.3	**Audit Committee** ***Code Principle*** The board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal controls principles and for maintaining an appropriate relationship with the company's auditors. The audit committee should have clear terms of reference.		
C.3.1	• Minutes should be kept by a duly appointed secretary and sent to all committee members within a reasonable time.	✓	• Minutes are prepared by the Company Secretary and sent to members of the Audit Committee within 14 days of each meeting.
C.3.2	• A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in the firm, whichever is the later.	✓	• No member of the Audit Committee is a partner of or has financial interest in the existing auditing firm of the Company.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.3.3 and C.3.4	• The terms of reference of the audit committee should include: — relationship with the issuer's external auditors — review of the issuer's financial information — oversight of the issuer's financial reporting system and internal control procedures • The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	• The Company established an audit committee in 1998 and all its members are Independent Non-executive Directors. • The terms of reference of the Audit Committee follow closely the requirements of the Code Provisions that have been adopted by the Board and are available for review on the HKExnews website and the Company's website. • Under its terms of reference, the Committee oversees the Group's financial reporting process; it also reviews the Group's internal controls and risk management system, approves the scope of work of the internal audit department and oversees the relationship with the external auditors. • The Audit Committee currently consists of the following members and two meetings have been held during the year. Details of committee members' attendance records are set out below: *Independent Non-executive Directors* — *Attendance* Chow Yu Chun, Alexander *(Chairman)* 2/2 Leung Churk Yin, Jeanny 2/2 Marvin Bienenfeld 2/2 Leung Ying Wah, Lambert 2/2 Lin Sun Mo, Willy 2/2

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			• The principal work performed by the committee during the year included: — review of the Company's financial statements for the year ended 30 June 2012 and for the six months ended 31 December 2012 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/annual audit; — review of the audit reports submitted by Internal Audit regarding the systems of internal control and risk management; — review and approval of the audit planning. The Committee was satisfied as to the overall effectiveness of the internal controls and risk management process during the year under review. During the year, the independent non-executive directors of the Company had conducted reviews on the Company's connected transactions.
C.3.5	• If Audit Committee disagrees with the Board's view on the selection, appointment, resignation or dismissal of external auditors, a statement from the audit committee explaining its recommendation and reason for such disagreement should be included in the Corporate Governance Report.	✓	• The Audit Committee recommended to the Board, subject to shareholders' approval at the forthcoming Annual General Meeting ("AGM") to be held on 6 November 2013, to appoint KPMG as the external auditors of the Company until the conclusion of next annual general meeting. Deloitte, will retire as auditor of the Company at the conclusion of the AGM. The relevant announcement has been published on HKExnews website and the Company's website on 13 September 2013. • For the year ended 30 June 2013, the external auditors received HK$2,328,000 for audit services and HK$193,000 for non-audit services.
C.3.6	• The audit committee should be provided with sufficient resources to perform its duties.	✓	• Independent professional advice will be brought to supplement internal resources where appropriate.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.3.7	• Terms of reference should include: — review of arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters. — to act as the key representative body for overseeing the issuer's relation with the external auditor.	✓	• The terms of reference updated with these items have been adopted by the Board. The Code of Conduct adopted by the Group provides for direct consultation with the Chairman or Group Managing Director on uncertain legal or ethical issues. • The Audit Committee oversees the relationship with the external auditors.
D D.1	**DELEGATION BY THE BOARD** **Management Functions** ***Code Principle*** An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on behalf of the issuer.		
D.1.1 and D.1.2	• Board must give clear directions as to the powers of management, including where management should obtain prior board approval before making decisions or entering into any commitments on behalf of the issuer. • Formalize the functions reserved to the board and those delegated to management; and review those arrangements periodically to ensure that they remain appropriate to the needs of the company.	✓	• An executive committee has been formed during the year. Its functions (with authority and power delegated by the Board) include the formulation and execution of the Group's strategic development and business planning as well as monitoring the daily management and operation of the Group. The executive committee holds monthly meeting, with the present of the Chairman and the Group Managing Director, to discuss and approve issues relating to the Group's business; • The daily management, operation and administration functions of the Company are delegated to the management. The reporting system is designed to ensure that significant issues are reported to the Board on a regular basis. • There is a defined schedule of matters reserved for full Board approval, including: — long-term objectives and strategies; — audited financial statements and associated materials; review and approve interim and final results announcements and quarterly operational updates; convening general meetings; — recommendations as to dividend; — appointment, removal or re-designation of Directors;

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			— remuneration of Non-executive Directors and changes in terms and conditions of employment of Executive Directors; — material connected transactions; — material acquisitions, disposals or joint-venture arrangements; — material raising of external finance; — appointment and removal of external auditors; — matters involving a conflict of interest for a substantial shareholder or Director; — Create, issue, purchase, redeem or otherwise reorganize the Company's share capital.
D.1.3	• An issuer should disclose the respective responsibilities of the board and management.	✓	• As set out in D.1.1 and D.1.2.
D.1.4	• Issuers should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment.	✓	• A formal appointment letter setting out the key terms and conditions relative to their appointment will be prepared for each newly appointed Director.
D.2	**Board Committees** ***Code Principle*** Board committees should be formed with specific written terms of reference that deal clearly with the committees' authority and duties.		
D.2.1	• Clear terms of reference to enable proper discharge of committees functions.	✓	• Three Board Committees, Audit Committee, Compensation Committee and Nomination Committee have been established with clear and specific terms of reference. Please refer to A.5.1 to A.5.3, B.1.2, C.3.3 and C.3.4 for details.
D.2.2	• The terms of reference should require committees to report their decisions and recommendations to the board.	✓	• Each Board Committee reports to the Board after the relevant meeting.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
D.3	**CORPORATE GOVERNANCE FUNCTIONS**		
D.3.1	• The terms of reference should include (a) developing and reviewing policies and practices on corporate governance; (b) reviewing and monitoring training of directors and senior management; (c) reviewing and monitoring policies and practices on compliance issues; (d) developing, reviewing and monitoring code of conduct applicable to employees and directors; (e) reviewing Corporate Governance Code compliance and disclosure requirements.	✓	• The terms of reference adopted by the Board follow closely the Code Provision D.3.1.
D.3.2	• The Board should be responsible for performing corporate governance duties set out in D.3.1 or it may delegate the responsibilities to a committee.	✓	• Corporate governance functions of the Company are held by the Board with Chairman of the Board playing a leading role. The Board places emphasis on good corporate governance practices and has reviewed the Group's corporate governance practices and code of conduct and compliance matters during the year.
E E.1	**COMMUNICATION WITH SHAREHOLDERS** **Effective Communication** ***Code Principle*** The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.		
E.1.1	• A separate resolution be proposed by the chairman for each substantially separate issue.	✓	• Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual Directors.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
E.1.2	• The chairman of the board should attend the annual general meeting and invite the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to attend and be available to answer questions at the annual general meeting. • The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure that the external auditor attends the annual general meeting to answer questions.	✓	• The Chairman of the Board chaired the 2012 annual general meeting held during the year and was available to answer questions from shareholders. • The Chairmen of respective Board Committees (except Mr. Marvin Bienenfeld, the Chairman of Compensation Committee) attended the 2012 annual general meeting and were available to answer questions from shareholders. • Details of Directors' attendance records at the 2012 annual general meeting are as follows: *Executive Directors* — *Attendance* Fung Wai Yiu *(Chairman)* ✓ Wong Chung Chong, Eddie *(Group Managing Director)* ✓ Wong Kai Chi, Kenneth ✓ Wong Kai Chung, Kevin ✓ *Non-executive Directors* Lucas A.M. Laureys ✓ Herman Van de Velde ✓ *Independent Non-executive Directors* Marvin Bienenfeld (absent) Chow Yu Chun, Alexander ✓ Leung Churk Yin, Jeanny ✓ Leung Ying Wah, Lambert ✓ Lin Sun Mo, Willy ✓ • No special general meeting was held during the year. • The external auditor attended the annual general meeting to answer questions from shareholders.
E.1.3	• At least 20 clear business days' notice should be given for annual general meetings and at least 10 clear business days' notice should be given for all other general meetings.	✓	• The Company complies with this requirement.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
E.1.4	• Board should establish a shareholders' communication policy and review it regularly.	✓	• The Company has established a Shareholders' Communication Policy which can be viewed at the Company's website. • Information of shareholders' rights including (i) the way in which shareholders can convene a special general meeting; (ii) procedures with contact details that shareholders can send enquiries to the Board; (iii) procedures for putting forward proposals at general meetings; and (iv) procedures shareholders can use to propose a person for election as a director, is available at the Company's website.
E.2	**Voting by Poll** ***Code Principle*** The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll		
E.2.1	The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	✓	• The Chairman explains the detailed procedures for conducting a poll at the outset of the Annual General Meeting and any general meetings and answers questions from shareholders.
F	**COMPANY SECRETARY** ***Code Principle*** Company Secretary plays an important role in supporting the board by ensuring good information flow within the board, and is responsible for advising the board through the chairman and/or chief executive on governance matters and facilitates induction of directors.		
F.1.1 to F.1.4	• The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs. • The board should approve the selection, appointment or dismissal of the company secretary. • The company secretary should report to the board chairman and/or the chief executive. • All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	✓	• The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company and reports directly to the Chief Financial Officer as well as assisting and reporting to the Chairman and Group Managing Director on the Company's issues. • There has been a change of Company Secretary during the year. The appointment of the new Company Secretary was duly accepted and approved by the Board at the duly convened Board meeting. • The Company Secretary is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters. • Directors have direct access to the Company Secretary.

Business Integrity

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

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

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

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

Communications with the Investment Community

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

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

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

The Company endeavours to be responsive to all media requests.

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 2013.

PRINCIPAL ACTIVITIES

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 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2013 are set out in the consolidated statement of profit or loss on page 47.

DIVIDEND

The Board does not recommend to propose a final dividend for the year ended 30 June 2013 (2012: Nil). There was no interim dividend declared for the year ended 30 June 2013 (2012: HK$0.01 per share).

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 92.

FIXED ASSETS

During the year, certain of the Group's land and buildings were revalued upon transfer to investment properties and the revaluation resulted in a surplus over book values amounting to HK$4,032,000, has been credited directly to the asset revaluation reserve.

As at 30 June 2013, the Group revalued all of its investment properties on an open market basis. The increase in fair value amounting to approximately HK$3,090,000 has been credited to the consolidated statement of profit or loss.

During the year, the Group incurred expenditure, principally on its production facilities, totaling approximately HK$20 million. Movements of property, plant and equipment and investment properties of the Group during the year are set out in note 13 and 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Fung Wai Yiu	*(Chairman)*
Wong Chung Chong, Eddie	*(Group Managing Director)*
Wong Kai Chi, Kenneth	
Wong Kai Chung, Kevin	

Non-executive Directors

Lucas A.M. Laureys
Herman Van de Velde

Independent Non-executive Directors

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

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 forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting 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.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Fung Wai Yiu, aged 66, is the Chairman of the Group. Mr. Fung has over 46 years of experience in the apparel industry.

Wong Chung Chong, Eddie, aged 68, is the co-founder of the Group. Mr. Wong is the Group Managing Director and is responsible for the operations of the Group. Mr. Wong has over 47 years of experience in the brassiere trade.

Wong Kai Chi, Kenneth, aged 39, is the son of Mr. Wong Chung Chong, Eddie and the elder brother of Mr. Wong Kai Chung, Kevin. He joined the Group in 1997 and is a Director of Top Form Brassiere Mfg. Co., Limited. Mr. Wong is responsible for the Group's Sales and Marketing and Product Development activities. He is currently the Chairman of Hong Kong Intimate Apparel Industries' Association. Mr. Wong 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.

Wong Kai Chung, Kevin, aged 37, is the son of Mr. Wong Chung Chong, Eddie and the younger brother of Mr. Wong Kai Chi, Kenneth. He is a Director of various subsidiaries of the Company. He joined the Group in 2001 and was responsible for the corporate development of the Group. He has over 15 years of experience in business development and organisation and is currently responsible for the Group's manufacturing and operations. Mr. Wong graduated from Colby College, the United States of America majoring in Economics in 1998. He is holder of the Chartered Financial Analyst designation.

Non-executive Directors

Lucas A.M. Laureys, aged 68, has been a Non-executive Director of the Company since September 2002. He is the Chairman of the Board of Van de Velde N. V., the shares of which are listed on the NYSE Euronext Brussels stock exchange. Mr. Laureys has over 41 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. Mr. Laureys is a director of Lucas Laureys N. V. and a board member of Delta Lloyd Bank N. V., and he was formerly the Chairman of the Board of Omega Pharma (a company previously listed on Euronext).

Herman Van de Velde, aged 59, has been a Non-executive Director of the Company since September 2002. He is the Managing 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 Lotus Bakeries N. V., a Belgian listed company. Mr. Van de Velde joined the brassiere industry in 1981 and is well versed in operating the brassiere business in Europe.

Independent Non-executive Directors

Marvin Bienenfeld, aged 81, was appointed as a Non-executive Director of the Company in August 1998 and then re-designated as an Independent Non-executive Director of the Company in September 2004. Mr. Bienenfeld was formerly the Chairman of Bestform Inc. and has over 53 years of experience in the ladies' intimate apparel industry in the United States of America.

Chow Yu Chun, Alexander, aged 66, has been an Independent Non-executive Director of the Company since February 1993. He is a Certified Public Accountant ("CPA") of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He has over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Chow has been holding directorship in New World China Land Limited and is currently an independent non-executive director of this company and an independent non-executive director of Playmates Toys Limited and China Strategic Holdings Limited, all these companies are listed on the Hong Kong Stock Exchange.

Leung Churk Yin, Jeanny, aged 48, 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. Ms. Leung is a seasoned investment banker with over 26 years of corporate finance experience in Hong Kong, Mainland China and Taiwan. Ms. Leung had been holding directorship in Lai Sun Garment (International) Limited and eSun Holdings Limited until August 2011, both of these companies are listed on the Hong Kong Stock Exchange. Ms. Leung was an executive director of each of Lai Sun Development Company Limited and Lai Fung Holdings Limited, from September 2007 to December 2010, both companies are listed on the Hong Kong Stock Exchange.

Leung Ying Wah, Lambert, aged 66, has been an Independent Non-executive Director of the Company since May 2006. Mr. Leung is the Chief Executive Officer of a leading construction materials company. He is a fellow member of the Association of Chartered Certified Accountant ("ACCA"), HKICPA and the Institute of Quarrying (UK). Mr. Leung is currently the Chairman of the Hong Kong Construction Materials Association and the Hong Kong Cement Traders and Producers Association.

Lin Sun Mo, Willy, *SBS, MBE, JP*, aged 53, has been an Independent Non-executive Director of the Company since May 2006. 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 the Chairman of Hong Kong Export Credit Insurance Corporation Advisory Board, the Hong Kong Shippers' Council and Textile Council of Hong Kong. He is also the Deputy Chairman of Federation of Hong Kong Industries and a member of the Council of the Chinese University of Hong Kong.

Senior Management

Chan Man Ying, Vivian, aged 38, is the Chief Financial Officer of the Group. She is a fellow member of the HKICPA and ACCA. She joined the Group in 2004 and has many years of professional experience in accounting, auditing and financial management areas.

Chen Fu Mei, aged 66, is a Director of Shenzhen Top Form Underwear Co., Limited. Ms. Chen joined the Group in March 1993 and is responsible for the administration of the Group's companies in Mainland China.

Michael Allen Lurer, aged 38, is the Vice President of Production for Top Form Brassiere Mfg. Co. Limited. He oversees all production operations of the Group. Mr. Lurer joined the Group in 1997 and has over 16 years of experience in intimate apparel manufacturing. He holds a Bachelor degree in International Trade and Foreign Business from Dailan University, the People's Republic of China.

Wan Ho Yau, David, aged 55, is a Director of Grand Gain Industrial Limited, a subsidiary of the Company, producing foam pads and accessories for brassiere manufacturing. Mr. Wan joined the Group in 1994. He holds degrees in Computer Science and Business Administration from York University, Toronto, Canada.

Wong Chor Wai, aged 45, joined the Group in 1989 and is a Director of Top Form Brassiere Mfg. Co., Limited. Mr. Wong holds a Bachelor degree in Science from The University of Hong Kong.

Wong Hei Yin, Henry, aged 50, is the Managing Director of Charming Elastic Fabric Company Limited and Grand Gain Industrial Limited, subsidiaries of the Company, producing respectively elastic tapes and foam pads and accessories for brassiere manufacturing. Mr. Wong holds a Bachelor degree in Accounting from Lamer University, the United States of America.

Company Secretary

Leung Yim Yu, is the Company Secretary of the Group since April 2013. She holds a Bachelor degree in business administration and is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

CONNECTED TRANSACTIONS

The Group has been for the past 31 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 and Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the Chairman and the Managing Director of VdV respectively, are Non-executive Directors of the Company. Mr. Herman Van de Velde is deemed to be a connected person of the Company by virtue of his indirect 56.26% interests in VdV. All transactions between VdV and the Group would constitute continuing connected transactions ("Continuing Connected Transactions") pursuant to the Listing Rules of the Hong Kong Stock Exchange. Accordingly, a master agreement dated 18 September 2005 (the "Master Agreement") had been entered into between VdV and the Company to govern the Continuing Connected Transactions and to set annual caps for the Continuing Connected Transactions in respect of the three financial years ended 30 June 2008.

The Master Agreement had been renewed by entering into a renewal agreement dated 12 June 2008 between VdV and the Company for a term of three years ended 30 June 2011, which was further renewed by entering into a renewal agreement (the "Renewal Agreement") dated 1 April 2011 between VdV and the Company for a term of three years up to 30 June 2014 for the sale of ladies' intimate apparel by the Group to VdV.

An announcement dated 1 April 2011 and a circular dated 27 April 2011 regarding the renewal of the Continuing Connected Transactions contemplated under the Renewal Agreement and the annual caps set for the respective financial years ended 30 June 2012 and 2013 and for the financial year ending 30 June 2014 were HK$80 million, HK$90 million and HK$100 million respectively had been duly published and despatched to shareholders and approval had been obtained from independent shareholders of the Company on 16 May 2011.

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
VdV	Sale of ladies' intimate apparel by the Group to VdV	72,497

Pursuant to Rule 14A.37 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 or on terms no less favorable to the Company than terms available to or from independent third parties; and

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

The auditor of the Company has provided a letter to the Board of the Company confirming the matters stated in Rule 14A.38 of the Listing Rules of the Hong Kong Stock Exchange in respect of the Continuing Connected Transactions as set out above which took place during the year.

DIRECTORS' INTERESTS IN 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 Chairman 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 Managing 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.

SHARE OPTIONS

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

DIRECTORS' INTERESTS

As at 30 June 2013, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long positions:

Ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Fung Wai Yiu	Beneficial owner and interests held by spouse *(note 1)*	43,308,521	4.03%
Wong Chung Chong, Eddie	Beneficial owner and interests held by spouse and trust *(note 2)*	195,272,118	18.16%
Wong Kai Chi, Kenneth	Beneficiary of trust *(note 3)*	175,591,597	16.33%
Wong Kai Chung, Kevin	Beneficiary of trust *(note 3)*	175,591,597	16.33%
Marvin Bienenfeld	Beneficial owner	870,521	0.08%
Chow Yu Chun, Alexander	Beneficial owner	3,400,521	0.32%
Leung Churk Yin, Jeanny	Beneficial owner	70,521	0.01%
Leung Ying Wah, Lambert	Beneficial owner	400,000	0.04%
Herman Van de Velde	Interests held by a controlled corporation *(note 4)*	275,923,544	25.66%

Notes:

1. 23,092,521 shares were beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 20,216,000 shares were held by the spouse of Mr. Fung.

2. 18,580,521 shares were beneficially owned by Mr. Wong Chung Chong, Eddie ("Mr. Wong") or his nominees whereas 1,100,000 shares were held by the spouse of Mr. Wong and 175,591,597 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Safeguard Trustee Limited, a trustee of a family trust of which Mr. Wong is the settlor and the family members of Mr. Wong were eligible beneficiaries.

3. 175,591,597 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Safeguard Trustee Limited, a trustee of a family trust of which Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin were eligible beneficiaries.

4. 275,923,544 shares were held by VdV. Mr. Herman Van de Velde held an indirect equity interest in Van de Velde Holding N. V. which in turn directly held 56.26% of the equity interest of VdV.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 30 June 2013.

Save as disclosed above, none of the Directors or 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 2013, 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$0.10 each of the Company

Name of Shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
VdV	Beneficial owner	275,923,544	25.66%
High Union Holdings Inc.	Beneficial owner	175,591,597	16.33%
V. F. Corporation	Beneficial owner	106,000,000	9.86%

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 2013.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The respective percentages of the Group's purchases from major suppliers and revenue attributable to major customers for the year ended 30 June 2013 were as follows:

Percentage of purchases attributable to the Group's largest supplier	9%
Percentage of purchases attributable to the Group's five largest suppliers	26%
Percentage of revenue attributable to the Group's largest customer	37%
Percentage of revenue attributable to the Group's five largest customers	72%

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.

DIRECTORS' REPORT

CHARITABLE DONATION

During the year, the Group made charitable donations amounting to HK$149,000.

EMOLUMENT POLICY

As at 30 June 2013, the Group had employed approximately 8,139 employees (30 June 2012: approximately 7,847 employees).

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

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

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

RETIREMENT BENEFIT SCHEMES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2013 as required under the Listing Rules of the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices and has throughout the year, except for the deviations stated and explained in the Corporate Governance Report set out on pages 6 to 34 of this report, complied with the code provisions as set out the Corporate Governance Code contained in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

DIRECTORS' REPORT

MODEL CODE

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

AUDITOR

The consolidated financial statements for the year ended 30 June 2013 have been audited by Deloitte Touche Tohmatsu ("Deloitte") whose term of office will expire upon the conclusion of forthcoming annual general meeting ("AGM"). Deloitte will retire at the conclusion of the forthcoming AGM. The Board has resolved, with the recommendation from the Audit Committee, to propose the appointment of KPMG as auditor of the Company to fill the vacancy following the retirement of Deloitte at the forthcoming AGM.

On behalf of the Board

Fung Wai Yiu
Chairman

Hong Kong
28 August 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF TOP FORM INTERNATIONAL LIMITED
黛麗斯國際有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Top Form International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 90, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	5	**1,054,451**	1,132,391
Cost of sales		**(879,570)**	(963,910)
Gross profit		**174,881**	168,481
Other income and gains		**15,259**	6,500
Selling and distribution expenses		**(27,432)**	(43,358)
General and administrative expenses		**(164,486)**	(170,014)
Other expenses	6	**–**	(22,428)
Finance costs	7	**(260)**	(373)
Loss before tax	8	**(2,038)**	(61,192)
Income tax (expense) credit	10	**(1,627)**	28
Loss for the year		**(3,665)**	(61,164)
(Loss) profit for the year attributable to:			
Owners of the Company		**(4,308)**	(60,028)
Non-controlling interests		**643**	(1,136)
		(3,665)	(61,164)
Loss per share	12		
Basic		**HK0.4 cent**	HK5.6 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(3,665)**	(61,164)
Other comprehensive income (expense)		
Items that will not be subsequently reclassified to profit or loss:		
Gain on revaluation of properties upon transfer to investment properties	**4,032**	49,033
Deferred tax liability arising on gain on revaluation of properties	**(1,008)**	(12,258)
	3,024	36,775
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of overseas operations	**3,760**	(4,190)
Other comprehensive income for the year, net of income tax	**6,784**	32,585
Total comprehensive income (expense) for the year	**3,119**	(28,579)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,997**	(27,557)
Non-controlling interests	**1,122**	(1,022)
	3,119	(28,579)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	13	**144,627**	153,654
Prepaid lease payments	14	**1,671**	1,719
Investment properties	15	**58,877**	49,294
Prepaid rental payments	16	**3,859**	5,008
Interest in an associate	17	**–**	–
Deferred tax asset	23	**3,131**	4,422
		212,165	214,097
Current assets			
Inventories	18	**152,040**	170,253
Debtors and other receivables	19	**132,458**	116,572
Bills receivable	20	**13,523**	30,960
Prepaid lease payments	14	**48**	48
Tax recoverable		**2,288**	4,224
Bank balances and cash	20	**136,010**	145,665
		436,367	467,722
Current liabilities			
Creditors and accrued charges	21	**110,717**	145,683
Taxation		**1,761**	2,242
		112,478	147,925
Net current assets		**323,889**	319,797
Total assets less current liabilities		**536,054**	533,894
Non-current liabilities			
Retirement benefit obligations	22	**2,173**	3,033
Deferred tax liabilities	23	**15,515**	15,614
		17,688	18,647
		518,366	515,247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTE	**2013** **HK$'000**	2012 HK$'000
Capital and reserves			
Share capital	25	**107,519**	107,519
Reserves		**392,304**	390,307
Equity attributable to owners of the Company		**499,823**	497,826
Non-controlling interests		**18,543**	17,421
		518,366	515,247

The consolidated financial statements on pages 47 to 90 were approved and authorised for issue by the Board of Directors on 28 August 2013 and are signed on its behalf by:

Fung Wai Yiu
CHAIRMAN

Wong Chung Chong, Eddie
GROUP MANAGING DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Attributable to owners of the Company									
	Share capital	Share premium	Capital redemption reserve	Special reserve (note)	Asset revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2011	107,519	1,499	233	7,139	–	15,504	431,121	563,015	18,443	581,458
Exchange difference arising on translation of overseas operations	–	–	–	–	–	(4,304)	–	(4,304)	114	(4,190)
Gain on revaluation of properties upon transfer to investment properties *(note 13)*	–	–	–	–	49,033	–	–	49,033	–	49,033
Deferred tax liability arising on gain on revaluation of properties	–	–	–	–	(12,258)	–	–	(12,258)	–	(12,258)
Loss for the year	–	–	–	–	–	–	(60,028)	(60,028)	(1,136)	(61,164)
Total comprehensive income (expense) for the year	–	–	–	–	36,775	(4,304)	(60,028)	(27,557)	(1,022)	(28,579)
Dividends recognised as distribution *(note 11)*	–	–	–	–	–	–	(37,632)	(37,632)	–	(37,632)
At 30 June 2012	107,519	1,499	233	7,139	36,775	11,200	333,461	497,826	17,421	515,247
Exchange difference arising on translation of overseas operations	–	–	–	–	–	3,281	–	3,281	479	3,760
Gain on revaluation of properties upon transfer to investment properties *(note 13)*	–	–	–	–	4,032	–	–	4,032	–	4,032
Deferred tax liability arising on gain on revaluation of properties	–	–	–	–	(1,008)	–	–	(1,008)	–	(1,008)
Loss for the year	–	–	–	–	–	–	(4,308)	(4,308)	643	(3,665)
Total comprehensive income (expense) for the year	–	–	–	–	3,024	3,281	(4,308)	1,997	1,122	3,119
At 30 June 2013	**107,519**	**1,499**	**233**	**7,139**	**39,799**	**14,481**	**329,153**	**499,823**	**18,543**	**518,366**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(2,038)**	(61,192)
Adjustments for:		
(Reversal of overprovision) provision of long service payments	**(510)**	1,306
Change in fair value of investment properties	**(3,090)**	–
Allowance (reversal of allowance) for obsolete inventories	**34**	(3,054)
Interest income	**(1,302)**	(1,273)
Finance costs	**260**	373
Depreciation of property, plant and equipment	**29,035**	29,518
Release of prepaid lease payments	**48**	48
Impairment loss on property, plant and equipment	**882**	3,950
Loss (gain) on disposal of property, plant and equipment	**472**	(10)
Operating cash flows before movements in working capital	**23,791**	(30,334)
Decrease in prepaid rental payments	**1,288**	1,254
Decrease in inventories	**18,483**	12,601
(Increase) decrease in debtors and other receivables	**(15,723)**	15,820
Decrease (increase) in bills receivable	**17,437**	(13,729)
(Decrease) increase in creditors and accrued charges	**(35,542)**	38,523
Benefits paid of long service payments	**(350)**	(275)
Cash generated from operations	**9,384**	23,860
Hong Kong Profits Tax refunded (paid)	**976**	(19,807)
Taxation paid in other jurisdictions	**(1,400)**	(2,465)
NET CASH FROM OPERATING ACTIVITIES	**8,960**	1,588
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(19,715)**	(39,102)
Addition to investment properties	**(575)**	–
Interest income	**1,302**	1,273
Proceeds on disposal of property, plant and equipment	**131**	437
NET CASH USED IN INVESTING ACTIVITIES	**(18,857)**	(37,392)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(3,470)**	(2,555)
Interest paid	**(260)**	(371)
New bank loans raised	**3,470**	–
Dividends paid	**–**	(37,632)
Repayment of obligations under finance leases	**–**	(11)
Finance lease charges paid	**–**	(2)
NET CASH USED IN FINANCING ACTIVITIES	**(260)**	(40,571)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,157)**	(76,375)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**145,665**	222,773
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**502**	(733)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**136,010**	145,665

1. GENERAL

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

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. Since the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time through generating rental income, rather than through sale, the directors have rebutted the presumption in HKAS 12. Consequently, the Group continues to recognise deferred tax for its investment properties based on the expectation that they will be recovered through use. The application of the amendments to HKAS 12 in the current year has had no effect on the deferred tax liabilities in relation to the Group's investment properties.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.

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

New and revised standards on consolidation, joint arrangements and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance are effective for the annual period beginning on or after 1 July 2013. The directors anticipate that the application of these five standards may not have material impact on the amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the annual period beginning on or after 1 July 2013, with earlier application permitted. The Directors of the Company anticipate that the application of the new standard may not have material impact on the amounts reported in the consolidated financial statements.

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

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 July 2013 and require retrospective application. The directors anticipate that the application of the amendments to HKAS 19 may not have material impact on the amounts reported in respect of the Groups' defined benefit plans.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

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

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

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

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

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

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.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the 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 each 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 interest as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

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

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's define benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Termination benefits

Termination benefits are recognised as a liability and an expense when, and only when, the Group is demonstrably committed to either (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Termination benefits do not provide the Group with future economic benefits and are recognised as an expense immediately.

Taxation

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

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

Deferred tax is recognised on 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 profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

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

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 set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Financial instruments

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

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment losses on tangible assets

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty of 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.

Allowance of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories or that the inventories have no further use. The Group has a concentration of risk with the top five customers domiciled in the United States of America (“USA”), Europe and New Zealand comprising 72% (2012: 69%) of the Group’s total revenue. Any further adverse changes in the economic environment of the USA, Europe and New Zealand may impact demand for the Group’s products and the net realisable value of the inventory. The allowance also depends on management’s assessment of the condition and usefulness of the inventories. Where the expectation of the net realisable value or use of inventories is different from the original estimate, such difference will impact the carrying value of inventories and the allowance of inventories in the consolidated statement of profit or loss. The Group’s carrying amount for inventories as at 30 June 2013 was approximately HK$152,040,000 (2012: HK$170,253,000) net of allowance of inventories of HK$38,619,000 (2012: HK$38,585,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Allowance for doubtful debts

The Group recognises an allowance for doubtful debts based on assessment of recoverability of trade debtors. The Group has a concentration of risk with the top five customers comprising HK$77,000,000 (2012: HK$70,000,000) of total trade debtors. The Group's top five customers are domiciled in the USA, Europe and New Zealand and revenue from these customers comprised 72% (2012: 69%) of the Group's total revenue. Any further adverse changes in the economic environment of the USA, Europe and New Zealand may impact the recoverability of the trade debtors. Any change in circumstances pertaining to one of these customers would have a material effect to the carrying amount of trade debtors. Allowances are applied to trade debtors where events or changes in circumstances provide objective evidence that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates with reference to past performances and current events. Where the actual cash flows are less than expectations, such difference will impact the carrying value of trade debtors and doubtful debts expense. As at 30 June 2013, the carrying amount of trade debtors is approximately HK$111,042,000 (2012: HK$99,596,000), no impairment loss is recognised for the current and prior year.

Impairment of property, plant and equipment

As at 30 June 2013, the aggregate carrying amount of the Group's property, plant and equipment is HK$144,627,000 (2012: HK$153,654,000). Property, plant and equipment are considered for impairment individually. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the cash-generating-unit ("CGU") to which the property, plant and equipment belong. The recoverable amount is the higher of fair value less costs to sell and its value in use. The management considers that the recoverable amount of the relevant CGU to which the relevant assets belong is determined on the basis of the value in use calculation which is higher than its fair value less costs to sell. The value in use calculation 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 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. Impairment loss of the Group's property, plant and equipment for the year is HK$882,000 (2012: HK$3,950,000). Details about impairment losses provided during the year are set out in note 13.

5. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's executive directors, being the Group's chief operating decision makers, review the operations on a plant by plant basis. No discrete financial information is available for each plant and the Group's executive directors review financial information on a consolidated basis. The Group has therefore only one operating segment, namely manufacturing and sale of ladies' intimate apparel, for the years ended 30 June 2013 and 2012.

The accounting policies of the financial information reviewed by executive directors are the same as the Group's accounting policies. Segment revenue is the consolidated revenue of the Group. Segment profit or loss is the consolidated profit or loss after tax.

All the Group's segment assets and liabilities are under the manufacturing business as at 30 June 2013 and 2012.

5. SEGMENT INFORMATION – continued

Other information

(a) Geographical information

The following table sets out information about the geographical location of revenue from external customers and information about geographical location of its non-current assets. The geographical location of customers is based on the location to which the goods are delivered.

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**25,240**	29,933	**4,133**	8,143
Cambodia	**–**	–	**13,432**	16,063
USA	**518,221**	605,978	**–**	–
New Zealand	**69,650**	50,754	**–**	–
France	**61,142**	72,322	**–**	–
Belgium	**72,500**	63,171	**–**	–
The Netherlands	**82,011**	90,650	**–**	–
Canada	**32,799**	23,070	**–**	–
Italy	**18,845**	5,585	**–**	–
Germany	**20,699**	21,794	**–**	–
Spain	**25,030**	50,703	**–**	–
United Kingdom	**23,979**	15,220	**–**	–
The People's Republic of China ("PRC")	**16,529**	13,039	**141,200**	135,437
Thailand	**1,534**	642	**50,269**	50,032
Japan	**13,715**	23,137	**–**	–
Sri Lanka	**14,473**	15,008	**–**	–
Mexico	**11,660**	12,081	**–**	–
Others	**46,424**	39,304	**–**	–
	1,054,451	1,132,391	**209,034**	209,675

Note: Non-current assets exclude deferred tax asset.

(b) Information about major customers

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

	2013	2012
	HK$'000	HK$'000
Customer A	**388,955**	372,211
Customer B	**127,393**	235,682

6. OTHER EXPENSES

During the year ended 30 June 2012, a decision was made to cease manufacturing operations in Shenzhen, the PRC, resulting in severance payments and other costs amounting to approximately HK$22,428,000 being recognised in the consolidated statement of profit or loss. During the year ended 30 June 2013, no severance payments or other costs was recognised. The nature of the expenses were as follows:

	2012 HK$'000
Provision for severance payments to employees	16,737
Impairment losses recognised in respect of property, plant and equipment	3,950
Other costs	1,741
	22,428

7. FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**260**	371
Finance leases	**–**	2
	260	373

8. LOSS BEFORE TAX

	2013 **HK$'000**	2012 HK$'000
Loss before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**2,709**	2,654
Depreciation of property, plant and equipment	**29,035**	29,518
Allowance (reversal of allowance) for obsolete inventories (included in costs of sales) *(note a)*	**34**	(3,054)
Release of prepaid lease payments	**48**	48
Loss (gain) on disposal of property, plant and equipment	**472**	(10)
Gross rental income from investment properties	**(2,741)**	(207)
Less: direct operating expenses from investment properties that generate rental income during the year	**–**	4
	(2,741)	(203)
Minimum lease payments paid under operating leases in respect of land and buildings *(note b)*	**14,874**	14,772
Change in fair value of investment properties	**(3,090)**	–
Cost of inventories recognised as an expense	**879,536**	966,964
Net exchange (gain) loss	**(1,738)**	4,143
Staff costs, including directors' emoluments *(note c)*	**369,309**	374,513
Insurance compensation	**(2,296)**	–
Interest income	**(1,302)**	(1,273)

Notes:

(a) During the year ended 30 June 2012, reversal of allowance was resulted from utilisation of obsolete inventories.

(b) Included in the amount are operating lease rentals of HK$1,251,000 (2012: HK$1,135,000) in respect of staff quarters.

(c) Details of directors' emoluments included in staff costs are disclosed in note 9. Staff costs included amounts in respect of retirement benefit schemes contributions of HK$26,236,000 (2012: HK$23,628,000) and reversal of provision for long service payments of HK$510,000 (2012: provision for long service payments of HK$1,306,000).

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors

Details of emoluments paid or payable by the Group to the Directors (including Non-executive Directors) during the year are as follows:

	2013 HK$'000	2012 HK$'000
Fees to Non-executive Directors	**1,400**	1,400
Remuneration to Executive Directors:		
Salaries and other benefits	**9,618**	9,433
Bonus *(Note a)*	**–**	1,400
Retirement benefit scheme contributions	**59**	48
Total Directors' emoluments	**11,077**	12,281

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	2013 Total HK$'000
Fung Wai Yiu	–	3,396	14	3,410
Wong Chung Chong, Eddie	–	3,412	15	3,427
Wong Kai Chi, Kenneth	–	1,544	15	1,559
Wong Kai Chung, Kevin	–	1,266	15	1,281
Lucas A.M. Laureys	200	–	–	200
Leung Churk Yin, Jeanny	200	–	–	200
Herman Van de Velde	200	–	–	200
Marvin Bienenfeld	200	–	–	200
Chow Yu Chun, Alexander	200	–	–	200
Leung Ying Wah, Lambert	200	–	–	200
Lin Sun Mo, Willy	200	–	–	200
	1,400	9,618	59	11,077

9. DIRECTORS' AND EMPLOYEES' REMUNERATION – continued

Directors – continued

	Fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000 *(Note a)*	Retirement benefit scheme contributions HK$'000	2012 Total HK$'000
Fung Wai Yiu	–	3,396	550	12	3,958
Wong Chung Chong, Eddie	–	3,412	550	12	3,974
Wong Kai Chi, Kenneth	–	1,476	150	12	1,638
Wong Kai Chung, Kevin	–	1,149	150	12	1,311
Lucas A.M. Laureys	200	–	–	–	200
Leung Churk Yin, Jeanny	200	–	–	–	200
Herman Van de Velde	200	–	–	–	200
Marvin Bienenfeld	200	–	–	–	200
Chow Yu Chun, Alexander	200	–	–	–	200
Leung Ying Wah, Lambert	200	–	–	–	200
Lin Sun Mo, Willy	200	–	–	–	200
	1,400	9,433	1,400	48	12,281

No Director waived any emolument during both years.

Employees

Of the five individuals with the highest emoluments in the Group, three (2012: three) were Directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining two (2012: two) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**4,704**	4,550
Discretionary performance-based bonus *(Note b)*	**–**	200
Retirement benefit scheme contributions	**8**	12
	4,712	4,762

9. DIRECTORS' AND EMPLOYEES' REMUNERATION – continued

Employees – continued

The emoluments were within the following bands:

	Number of individuals 2013	2012
HK$1,500,001–HK$2,000,000	**1**	–
HK$2,000,001–HK$2,500,000	**–**	1
HK$2,500,001–HK$3,000,000	**1**	1

Notes:

(a) Amount represented bonus paid to the Directors during the year ended 30 June 2012. The bonus of HK$1,400,000 is related to the past performance of the Group for the year ended 30 June 2011 and recognised as an expense in the year ended 30 June 2011.

(b) Amount represented bonus paid during the year ended 30 June 2012. The bonus of HK$200,000 is related to the past performance of the Group for the year ended 30 June 2011 and recognised as an expense in the year ended 30 June 2011.

10. INCOME TAX EXPENSE (CREDIT)

	2013 HK$'000	2012 HK$'000
Current tax:		
Hong Kong	**899**	1,905
Other jurisdictions	**992**	2,620
	1,891	4,525
(Over)underprovision in prior years:		
Hong Kong	**(12)**	(341)
Other jurisdictions	**–**	161
	(12)	(180)
Deferred taxation *(note 23)*		
Current year	**(252)**	(4,373)
	1,627	(28)

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

10. INCOME TAX EXPENSE (CREDIT) – continued

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The EIT Law provides a five-year transition period from 1 January 2008 for those subsidiaries which were established before the promulgation date of the EIT Law and which are entitled to a preferential lower tax rate under the effective tax laws or regulations and hence the 25% tax rate is applicable to certain subsidiaries from 1 January 2012 onwards.

Certain subsidiaries of the Group operating in the PRC are eligible for tax holidays up to 31 December 2012 in respect of PRC income tax such that they are exempted from PRC income taxes for the two years starting from their first profit-making year, followed by a 50% deduction for the next three years. The PRC income tax charges are arrived at after taking into account of these tax incentives.

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

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

	2013	2012
	HK$'000	HK$'000
Loss before tax	**(2,038)**	(61,192)
Tax at Hong Kong Profits Tax rate of 16.5%	**(336)**	(10,097)
Tax effect of expenses not deductible for tax purposes	**482**	3,252
Tax effect of income not taxable for tax purposes	**(1,413)**	(499)
Tax effect of tax losses not recognised	**3,418**	7,904
Tax effect of utilisation of tax losses previously not recognised	**(950)**	(1,476)
Overprovision in prior years	**(12)**	(180)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**414**	1,052
Others	**24**	16
Income tax expense (credit) for the year	**1,627**	(28)

11. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
2013 Interim — HK$nil (2012: 2012 interim dividend HK$0.01) per share	–	10,752
2012 Final — HK$nil (2012: 2011 final dividend HK$0.025) per share	–	26,880
	–	37,632

No dividend was paid or proposed during the year ended 30 June 2013, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

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

	2013 HK$'000	2012 HK$'000
Loss attributable to owners of the Company for the purpose of basic loss per share	**4,308**	60,028

	Number of shares 2013	2012
Number of ordinary shares for the purpose of basic loss per share	**1,075,188,125**	1,075,188,125

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

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 July 2011	5,140	102,412	65,665	281,095	13,653	4,783	472,748
Currency realignment	–	(640)	(283)	(1,015)	(32)	(145)	(2,115)
Additions	–	4,862	17,800	14,378	1,631	431	39,102
Reclassification	–	3,663	971	5	–	(4,639)	–
Surplus on revaluation	–	49,033	–	–	–	–	49,033
Transfer to investment properties	–	(57,280)	–	–	–	–	(57,280)
Disposals/write-off	–	(9)	(1,364)	(13,266)	(2,331)	–	(16,970)
At 30 June 2012	5,140	102,041	82,789	281,197	12,921	430	484,518
Currency realignment	383	970	414	2,058	55	–	3,880
Additions	–	1,104	6,779	11,832	–	–	19,715
Reclassification	–	–	430	–	–	(430)	–
Surplus on revaluation	–	4,032	–	–	–	–	4,032
Transfer to investment properties	–	(4,379)	–	–	–	–	(4,379)
Disposals/write-off	–	–	(13,623)	(8,135)	(364)	–	(22,122)
At 30 June 2013	**5,523**	**103,768**	**76,789**	**286,952**	**12,612**	**–**	**485,644**
DEPRECIATION AND IMPAIRMENT							
At 1 July 2011	–	40,379	52,165	219,013	11,063	–	322,620
Currency realignment	–	71	(177)	(587)	(2)	–	(695)
Charge for the year	–	5,119	6,550	16,509	1,340	–	29,518
Impairment	–	–	349	3,601	–	–	3,950
Eliminated on transfer to investment properties	–	(7,986)	–	–	–	–	(7,986)
Eliminated on disposals/write-off	–	(9)	(1,137)	(13,073)	(2,324)	–	(16,543)
At 30 June 2012	–	37,574	57,750	225,463	10,077	–	330,864
Currency realignment	–	117	262	1,549	37	–	1,965
Charge for the year	–	5,081	8,512	14,293	1,149	–	29,035
Impairment	–	–	–	525	357	–	882
Eliminated on transfer to investment properties	–	(210)	–	–	–	–	(210)
Eliminated on disposals/write-off	–	–	(13,114)	(8,041)	(364)	–	(21,519)
At 30 June 2013	**–**	**42,562**	**53,410**	**233,789**	**11,256**	**–**	**341,017**
CARRYING VALUES							
At 30 June 2013	**5,523**	**61,206**	**23,379**	**53,163**	**1,356**	**–**	**144,627**
At 30 June 2012	5,140	64,467	25,039	55,734	2,844	430	153,654

13. PROPERTY, PLANT AND EQUIPMENT – continued

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

Leasehold land	Over the terms of the leases
Buildings	Over the shorter of the term of the lease, or 2%–6.5%
Leasehold improvements	20%
Furniture, fixtures and equipment	10%–33%
Motor vehicles	20%–30%

During the year ended 30 June 2013, the directors conducted a review of the Group's property, plant and machinery and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. Accordingly, impairment loss of HK$882,000 has been recognised to fully write down the net carrying amounts of these items of property, plant and equipment.

During the year ended 30 June 2012, the directors conducted a review of the Group's property, plant and equipment, and determined that a number of those assets were impaired, due to the Group's decision to cease the manufacturing operations in Shenzhen. Accordingly, impairment losses of HK$349,000 and HK$3,601,000 respectively had been recognised in respect of leasehold improvements and furniture, fixtures and equipment.

Note:

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

	2013 HK$'000	2012 HK$'000
Leasehold land and buildings outside Hong Kong:		
Long-term lease	**3,526**	3,650
Medium-term lease	**56,009**	60,741
Short-term lease	**1,657**	53
Leasehold land and buildings in Hong Kong under medium-term lease	**14**	23
Freehold land outside Hong Kong	**5,523**	5,140
	66,729	69,607

14. PREPAID LEASE PAYMENTS

	2013 HK$'000	2012 HK$'000
Analysed for reporting purposes as:		
Current asset	**48**	48
Non-current asset	**1,671**	1,719
	1,719	1,767
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term lease	**1,719**	1,767

15. INVESTMENT PROPERTIES

	Completed investment properties HK$'000
FAIR VALUE	
At 1 July 2011	–
Transferred from property, plant and equipment	49,294
At 30 June 2012	49,294
Addition	575
Currency realignment	1,749
Change in fair value of investment properties	3,090
Transferred from property, plant and equipment	4,169
At 30 June 2013	58,877

During the year ended 30 June 2013, certain land and buildings with carrying amounts of approximately HK$137,000 (2012: HK$261,000) were transferred to investment properties at fair value of approximately HK$4,169,000 (2012: HK$49,294,000) at dates of transfer due to the change of usage as evidenced by end of owner-occupation. The difference between the carrying amount and fair value which amounted to approximately HK$4,032,000 (2012: HK$49,033,000) is recognised in the consolidated statement of other comprehensive income.

The fair value of the Group's investment properties at their respective dates of transfer, 30 June 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at using the investment approach by taking into account the current passing rents of the properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenant.

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

The carrying amounts of investment properties shown above are situated on land outside of Hong Kong on medium-term lease.

16. PREPAID RENTAL PAYMENTS

At 30 June 2013 and 2012, prepaid rental payments represented the prepaid rent for factories in Thailand for fifteen years until June 2024. The current portion of HK$1,288,000 (2012: HK$1,254,000) is included in debtors and other receivables.

17. INTEREST IN AN ASSOCIATE

At 30 June 2013 and 2012, the Group held 30% of the registered capital of Yingkou Xinfa Industrial Park Development Company Limited 營口鑫發工業園開發有限公司. The Group's share of net assets of this associate was fully impaired in previous years.

18. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	52,211	64,851
Work in progress	70,719	66,261
Finished goods	29,110	39,141
	152,040	170,253

19. DEBTORS AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade debtors	111,042	99,596
Other receivables	21,416	16,976
Total debtors and other receivables	132,458	116,572

The Group allows an average credit period of 30 days to its trade customers. The management of the Company assesses the credit quality of the trade debtors based on payment due date. An aged analysis of trade debtors based on the payment due date, at the end of the reporting period is as follows:

	2013 HK$'000	2012 HK$'000
Current	96,028	82,480
1–30 days	12,570	14,255
31–60 days	1,110	1,976
Over 60 days	1,334	885
	111,042	99,596

Before accepting any new customers, the Group will assess the potential customer's credit quality. 86% (2012: 83%) of the trade debtors that are neither past due nor impaired have the best credit quality.

Included in the Group's trade debtor balance are trade debtors with aggregate carrying amount of HK$15,014,000 (2012: HK$17,116,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these amounts is 70 days (2012: 68 days).

20. OTHER FINANCIAL ASSETS

Bills receivable

As at 30 June 2013 and 2012, all bills receivable are aged within 30 days. The Group does not hold any collateral over these balances.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.001% to 3.2% (2012: 0.001% to 3.25%) per annum.

21. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK$49,085,000 (2012: HK$59,181,000).

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

	2013 **HK$'000**	2012 HK$'000
Current	**45,322**	50,147
1–30 days	**3,088**	5,656
31–60 days	**268**	1,585
Over 60 days	**407**	1,793
	49,085	59,181

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

22. RETIREMENT BENEFIT SCHEMES

(a) Provision for long service payments

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

The most recent actuarial valuation of the present value of the Group's obligation for long service payments was carried out at 30 June 2013 by AON Hewitt, an independent firm of human resource consultants and actuaries. The present value of the Group's obligation for long service payments, the related current service cost and actuarial gain/loss were measured using the projected unit credit method.

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

	2013	2012
Discount rate	**2% per annum**	1% per annum
Expected rate of salary increases	**3% per annum**	3% per annum
Interest return on contributions	**5% per annum**	5% per annum

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

	2013 HK$'000	2012 HK$'000
Current service cost	**(160)**	(55)
Interest cost	**29**	44
Actuarial (gains) losses recognised in the year	**(379)**	1,315
Past service cost	**–**	2
Amount (credited) charged for the year (included in general and administrative expenses)	**(510)**	1,306

The credit for the year of HK$510,000 (2012: charge for the year of HK$1,306,000) is included in staff costs in the consolidated statement of profit or loss.

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

	2013 HK$'000	2012 HK$'000
At 1 July	**3,033**	2,002
Current service cost	**(160)**	(55)
Interest cost	**29**	44
Actuarial (gains) losses	**(379)**	1,315
Past service cost	**–**	2
Benefits paid	**(350)**	(275)
At 30 June	**2,173**	3,033

22. RETIREMENT BENEFIT SCHEMES – continued

(b) Defined contribution schemes

The Group has joined the Mandatory Provident Fund Scheme ("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 with 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 Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The assets of the schemes are held separately from those of the Group in funds under the control of the Chinese local government.

The total cost charged to consolidated statement of profit or loss of HK$25,726,000 (2012: HK$24,934,000) represents contributions payable to these schemes by the Group in respect of the current year.

23. DEFERRED TAXATION

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

	2013 HK$'000	2012 HK$'000
Deferred tax asset	**3,131**	4,422
Deferred tax liabilities	**(15,515)**	(15,614)
	(12,384)	(11,192)

The following are the major deferred tax liabilities and asset recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	**Revaluation of properties** HK$'000	**Unrealised loss on inventory** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 July 2011	1,629	–	2,207	(529)	3,307
Credit to consolidated statement of profit or loss	(435)	–	(45)	(3,893)	(4,373)
Charge to equity	–	12,258	–	–	12,258
At 30 June 2012	1,194	12,258	2,162	(4,422)	11,192
(Credit) charge to consolidated statement of profit or loss	(731)	773	(1,585)	1,291	(252)
Currency realignment	–	436	–	–	436
Charge to equity	–	1,008	–	–	1,008
At 30 June 2013	463	14,475	577	(3,131)	12,384

23. DEFERRED TAXATION – continued

At the end of the reporting period, the Group has unused tax losses of HK$176,093,000 (2012: HK$171,758,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$18,967,000 (2012: HK$26,794,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$157,126,000 (2012: HK$144,964,000) due to the unpredictability of future profit streams. During the year, tax losses of HK$2,795,000 (2012: HK$7,511,000) were expired and were no longer available to offset against future profit. Included in unrecognised tax losses of the Group are losses of HK$60,504,000 (2012: HK$52,518,000) attributable to subsidiaries in the PRC that will gradually expire up to 2018. Other losses may be carried forward indefinitely.

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 HK$26,352,000 (2012: HK$34,417,000). No liabilities has 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.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**268,029**	281,488
Financial liabilities		
Amortised cost	**59,171**	68,491

24b. Financial risk management objectives and policies

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

Market risk

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

(i) *Currency risk*

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 28% (2012: 25%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, while almost 60% (2012: 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.

24. FINANCIAL INSTRUMENTS – continued

24b. Financial risk management objectives and policies – continued

Market risk – continued

(i) 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:

	Liabilities		Assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Euro ("EUR")	**420**	1,164	**13,699**	11,818
Renminbi ("RMB")	**7,479**	4,039	**60,539**	84,293
USD	**–**	–	**16,090**	18,823
HK$	**28,375**	37,618	**631**	1,057

The above assets and liabilities include outstanding EUR, RMB, USD and HK$ debtors and creditors and bank balances and cash.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in functional currency against the relevant foreign currencies. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% (2012: 5%) change in foreign currency rates. The sensitivity analysis includes external receivables and payables and also current accounts with the group entities where the denomination of the current accounts is in a currency other than the functional currency of the relevant group entities. A positive number below indicates decrease in post-tax loss for the year where functional currencies of relevant group entities strengthens 5% (2012: 5%) against the relevant foreign currencies. For a 5% (2012: 5%) weakening of functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss for the year.

24. FINANCIAL INSTRUMENTS – continued

24b. Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis – continued

	2013 **HK$'000**	2012 HK$'000
Increase in post-tax loss:		
EUR	**(554)**	(445)
RMB	**(2,102)**	(2,487)

(ii) Interest rate risk

As at 30 June 2013 and 2012, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

As at 30 June 2013 and 2012, the management expects interest rate risk will not have material impact on the Group's operating result. Hence, a sensitivity analysis is not presented.

Credit risk

As at 30 June 2013 and 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

In respect of debtors, the Group's exposure to credit risk is influenced mainly by the market demand in intimate apparel industry and economic conditions in the USA, Europe and New Zealand. At the end of the reporting period, the Group had a certain concentration risk as approximately 69% (2012: 70%) of trade debtors was due from the top five major customers.

24. FINANCIAL INSTRUMENTS – continued

24b. Financial risk management objectives and policies – continued

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

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 2013, the Group had undrawn bank borrowing facilities of HK$159,000,000 (2012: HK$150,000,000).

Liquidity tables

	Weighted average interest rate	On demand or less than 1 month	1–3 months	Over 3 months	Total undiscounted cash flows	Carrying amount at 30 June
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2013						
Non-derivative financial liabilities						
Creditors	**–**	**52,868**	**5,780**	**523**	**59,171**	**59,171**
2012						
Non-derivative financial liabilities						
Creditors	–	55,085	13,406	–	68,491	68,491

24c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

25. SHARE CAPITAL

	2013 Number of shares	2012 Number of shares	**2013 HK$'000**	2012 HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and the end of the year	**1,500,000,000**	1,500,000,000	**150,000**	150,000
Issued and fully paid:				
At beginning and the end of the year	**1,075,188,125**	1,075,188,125	**107,519**	107,519

26. SHARE OPTION SCHEME

Pursuant to a resolution passed on 3 November 2011 (the "Adoption Date"), the Company's share option scheme adopted on 22 November 2001 (the "Old Scheme") was terminated and a new share option scheme (the "Scheme") was adopted for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board, and the Scheme will end on 2 November 2021. Under the Scheme, the Board may grant options to eligible employees, including directors, executives or officers of the Company and its subsidiaries and any other persons at the discretion of the Board to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the Adoption Date, being 107,518,812 shares, which represent 10% of the shares of the Company in issue as at the date of this report. 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 HK$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 HK$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 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. No share options were granted, exercised, cancelled or lapsed for both years.

As at 30 June 2013 and 2012, no share options of the Company were being held by the Directors or anyone else under the Scheme and the Old Scheme.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2013 **HK$'000**	2012 HK$'000
Within one year	**10,569**	8,938
In the second to fifth year inclusive	**18,773**	18,061
Over five years	**12,510**	19,015
	41,852	46,014

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

27. OPERATING LEASE COMMITMENTS – continued

The Group as lessor

Property rental income earned during the year was HK$2,741,000 (2012: HK$207,000). All of the properties held have committed tenants for the next 1 to 5 years.

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

	2013 HK$'000	2012 HK$'000
Within one year	**2,825**	2,410
In the second to fifth year inclusive	**10,674**	981
After five years	**22**	183
	13,521	3,574

28. CAPITAL COMMITMENTS

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,776**	112

29. RELATED PARTY TRANSACTIONS/BALANCES

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 HK$72,497,000 (2012: HK$63,171,000).

Mr. Herman Van de Velde, a non-executive director of the Company, has a beneficial interest in VdV, which held an effective interest of 25.66% (2012: 25.66%) in the Company as at 30 June 2013.

As at 30 June 2013, the balance of trade receivables from VdV amounted to HK$2,370,000 (2012: HK$3,472,000) which are aged less than 30 days.

Compensation of key management personnel

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

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**15,722**	16,983
Retirement benefit scheme contributions	**67**	60
	15,789	17,043

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.

30. CAPITAL RISK MANAGEMENT

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

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

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

31. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2013 and 2012 are as follows:

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held directly/ indirectly by the Company %	Principal activities
Charming Elastic Fabric Company Limited 綉麗橡根織品有限公司	Hong Kong	Ordinary – HK$316,667 Deferred – HK$810,000	60	Manufacture of elastic garment straps
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 – HK$20,800,000	100	Manufacture of ladies' underwear
佛山市南海漫多姿內衣有限公司	The PRC#	Capital contribution – US$500,000	100	Manufacture of ladies' underwear
Grand Gain Industrial Limited 建盈實業有限公司	Hong Kong	Ordinary – HK$100,000	60	Moulding and laminating business
Long Nan Grand Gain Underwear Co., Ltd. 龍南縣建盈內衣有限公司	The PRC#	Capital contribution – US$1,500,000	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 – HK$57,000,000	100	Manufacture of ladies' underwear
Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣有限公司	The PRC^	Capital contribution – RMB4,993,000	70	Property investment and provision of consultancy services in relation to ladies intimate apparel and accessories

31. PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held directly/ indirectly by the Company %	Principal activities
Top Form Brassiere Mfg. Co., Limited 黛麗斯胸圍製造廠有限公司	Hong Kong	Ordinary — HK$100 Deferred — HK$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 — Baht 56,000,000	100	Manufacture of ladies' underwear
Topfull Development Limited 統富發展有限公司	Hong Kong	Ordinary — HK$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 — HK$1,000 Deferred — HK$200	100	Trading of ladies' underwear
Xinfeng County Grand Gain Underwear Co., Ltd. 信豐縣建盈內衣有限公司	The PRC#	Capital contribution — US$500,000	100	Manufacture of ladies' underwear
Top Form (Cambodia) Company Limited	Cambodia	Ordinary — US$1,000,000	100	Manufacture of ladies' underwear

* Directly held by the Company.
\# These subsidiaries are registered as wholly foreign owned enterprises in the PRC.
^ This subsidiary is registered as a sino-foreign equity joint venture in the PRC.

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

31. PRINCIPAL SUBSIDIARIES – continued

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. On 18 September 1998, an extension agreement was entered into between the Group and the joint venture partner to extend the joint venture period for a further 10 years to 28 February 2009. On 12 November 2008, the Group entered into a revised joint venture agreement with the joint venture partner to extend the joint venture period for a further 3 years to 28 February 2012. On 27 June 2011, the Group entered into an extension agreement with the joint venture partner to extend the joint venture period for a further 3 years to 28 February 2015. Pursuant to the joint venture agreement and the revised joint venture agreement under which the joint venture were established, the Group has 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 2013, all of the deferred shares issued by subsidiaries were held by group companies. 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 HK$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 2013 or at any time during the year.

The above table list 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.

INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2013 HK$'000	2012 HK$'000
Assets		
Investments in subsidiaries	**147,740**	147,740
Amounts due from subsidiaries	**636,756**	636,756
Other assets	**212**	178
	784,708	784,674
Liabilities		
Creditors and accrued charges	**1,738**	1,859
Amounts due to subsidiaries	**406,044**	406,532
Tax payables	**117**	123
	407,899	408,514
	376,809	376,160
Capital and reserves		
Share capital	**107,519**	107,519
Reserves	**269,290**	268,641
	376,809	376,160

Share capital and reserves of the Company:

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2011	107,519	1,499	233	124,802	179,135	413,188
Profit and total comprehensive income for the year	–	–	–	–	604	604
Dividends recognised as distribution	–	–	–	–	(37,632)	(37,632)
At 30 June 2012	107,519	1,499	233	124,802	142,107	376,160
Profit and total comprehensive income for the year	–	–	–	–	649	649
At 30 June 2013	**107,519**	**1,499**	**233**	**124,802**	**142,756**	**376,809**

FIVE YEAR FINANCIAL SUMMARY

RESULTS

Year ended 30 June	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Revenue	1,370,026	1,342,480	1,339,798	1,132,391	**1,054,451**
Profit (loss) before taxation	13,837	87,519	71,661	(61,192)	**(2,038)**
Income tax (expense) credit	(27,787)	(33,835)	(14,955)	28	**(1,627)**
Profit (loss) for the year	(13,950)	53,684	56,706	(61,164)	**(3,665)**
Attributable to:					
Owners of the Company	(12,605)	46,823	55,241	(60,028)	**(4,308)**
Non-controlling interests	(1,345)	6,861	1,465	(1,136)	**643**
	(13,950)	53,684	56,706	(61,164)	**(3,665)**

ASSETS AND LIABILITIES

At 30 June	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	823,643	872,085	713,250	681,819	**648,532**
Total liabilities	(260,793)	(297,537)	(131,792)	(166,572)	**(130,166)**
	562,850	574,548	581,458	515,247	**518,366**
Equity attributable to:					
Owners of the Company	545,778	550,726	563,015	497,826	**499,823**
Non-controlling interests	17,072	23,822	18,443	17,421	**18,543**
	562,850	574,548	581,458	515,247	**518,366**

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