TOP FORM
INTERNATIONAL LIMITED

STOCK CODE: 333

ANNUAL REPORT 2019

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chow Yu Chun, Alexander
Ms. Leung Churk Yin, Jeanny
Mr. Leung Ying Wah, Lambert
Mr. Lin Sun Mo, Willy

AUDIT COMMITTEE

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

COMPENSATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Chow Yu Chun, Alexander *(Chairman)*
Mr. Wong Kai Chi, Kenneth
Mr. Fung Wai Yiu
Mr. Herman Van de Velde
Ms. Leung Churk Yin, Jeanny
Mr. Leung Ying Wah, Lambert
Mr. Lin Sun Mo, Willy

COMPANY SECRETARY

Mr. Pun Chi Wa

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

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

AUTHORISED REPRESENTATIVES

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

PRINCIPAL BANKERS

Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITOR

KPMG

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

333

WEBSITE

www.topformbras.com

Chairman's statement

The board of directors (the "Board") of Top Form International Limited (the "Company") is pleased to present the audited consolidated annual results of the Company and its subsidiaries ("Top Form" or the "Group") for the year ended 30 June 2019.

During the year, there were some profound and fundamental changes in the global economy and to the markets we serve, which brought immense challenges to the Group. We expect that these changes will continue to influence our business and operations over the near term.

The general business sentiment is pessimistic as retailers in the United States ("US") and European markets struggle to adapt to changing consumer preferences and the new retail landscape with established retail companies filing for bankruptcy protection. Additionally, the continued escalation of trade disputes between the US and China has put very notable strains on the global supply chain over the past year, impacting manufacturers like Top Form with disruptions in operations, imbalanced capacity utilization and extra freight costs needed to support the business changes.

With no end in sight for the US China trade dispute and almost all exports from China to the US potentially subject to additional import tariff, the Group has decided to accelerate the shift of our manufacturing capacity on US exports from China to overseas this year, resulting in a one-off restructuring charge taken this year. The Group expanded our overseas capacity in Thailand and Cambodia, while also preparing for the start of production in our Myanmar plant in fiscal year 2020.

Despite the challenging times, we continue to be encouraged by the important progress that our investments over the past years from factories to machinery to people to technology are making. Achievements include successfully developing and launching fully fused brassiere products in the market with our state of the art bonding facilities, continued upgrades and expansion of our overseas facilities whilst improving their operating efficiency, signing on new customers in an effort to grow and diversify our revenue and executing tirelessly for our strategic partner customers earning us recognition for our excellence in innovation, service and delivery performance.

The geopolitical situation is expected to further deteriorate and become more unpredictable, while financial markets and the global economy are already showing signs of retreat. With over half a century of history, Top Form has managed successfully through major geopolitical changes, economic crises and market disruptions. The management team remains confident about our development, as we continue to build our capability in product innovation and technology, invest in a resilient supply chain with a diversified and strategic manufacturing network, improve the operating efficiency across the organization and continue our commitment to sustainability and the environment. We are committed to take a long term view for the development of Top Form, but we are vigilant and disciplined in our cost control and protecting our strong balance sheet.

Mr. Chow Yu Chun, Alexander has informed the Board of his intention to retire as an independent non-executive director of the Company at the conclusion of the annual general meeting of the Company to be held on 31 October 2019 and will not offer himself for re-election. Mr. Chow has been serving on the Board for 26 years and on behalf of the Board, I would like to take this opportunity to express its sincere gratitude to Mr. Chow for his valuable contribution to the Group during his tenure.

Meanwhile, on behalf of the Board, I would like to express our appreciation to our passionate and dedicated workforce at all levels for their contribution to the Group. I also take this opportunity to thank our business partners for their continued support during the past year.

Wong Chung Chong
Chairman

27 August 2019

Management discussion and analysis

BUSINESS REVIEW

As predicted last year, there were tremendous challenges in the business environment stemming from the protracted trade tension between China and the United States with the latest announcement of additional tariff covering practically all Chinese goods. The yearlong trade dispute has created disruption and chaos to the global supply chain, the results of which are increased complexity in servicing end markets and significantly burdened manufacturers like Top Form with additional operating costs.

During the year, the Group experienced sudden and significant imbalances in the utilization of our factories and took steps to rationalize our underutilized capacity in China while aggressively expanding capacity in our South East Asian facilities. While these steps were abrupt at the time, we believe the trade dispute and the supply chain trend of moving manufacturing to more sustainable countries of origin will continue to influence our business and it would be prudent to take these important steps quickly.

During the year, in monetary terms, 67% of our sales were to the US market whilst the sales to the EU represented 20% and the rest of the world accounted for 13%. From the supply side, the overseas manufacturing facilities in Thailand and Cambodia accounted for 66% of the global production output whilst China accounted for the remaining 34% during the year.

FINANCIAL REVIEW

Revenue

For the year ended 30 June 2019, the revenue of the Group decreased by 4% to HK$1,225 million from HK$1,281 million of sales in fiscal 2018. This was partly due to lower sales to our major customers where their businesses have been impacted by the paradigm shift of consumer behavior which resulted in record number of retailers filing bankruptcy protection since the aftermath of financial crisis; and changes to our customer and product mix, with a higher portion of our sales made up of products with lower selling price, which also resulted in a lower average selling price during the year as compared with that of fiscal 2018.

Gross Profit

Gross Profit decreased from HK$229.9 million to HK$198.1 million during the year with Gross Profit Margin decreased from 17.9% to 16.2%. The decrease in Gross Profit was mainly due to the impact brought on by the US China trade dispute which added costs to our overall manufacturing operations with disruption to our production, extra freight costs, and also some changes to our product mix.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprised of freight and transportation costs, employee benefits of sales and sales support personnel, and customer sample costs. The Group's selling & distribution expenses amounted to HK$35.7 million for the year ended 30 June 2019, against HK$36.7 million for the year ended 30 June 2018. The decrease in selling and distribution expenses was in line with lower revenue.

General and Administrative Expenses

The Group's general and administrative expenses amounted to HK$238.7 million for the year ended 30 June 2019, against HK$187 million for the year ended 30 June 2018. The increase in general and administrative expenses was mainly attributable to the one-off restructuring expenses associated with the capacity shift from China to overseas and the planned investment in capabilities, including people, systems and technology. Setting aside certain non-recurring items, the general and administrative expenses increased by 12% which reflects the Group's continued commitment to invest in the foundation of our organization for future growth.

Loss for the year

The Group recorded a net loss of HK$62.8 million for the year ended 30 June 2019 as compared with a profit after taxation of HK$12.3 million for the year ended 30 June 2018.

Management Discussion and Analysis

FINANCIAL POSITION

The financial position of the Group remains healthy with shareholders' funds standing at HK$516 million as at 30 June 2019 compared with HK$543 million at the previous year end.

Bank balances and cash stood at HK$95.3 million whilst credit facilities available to the Group amounted to HK$110 million and gearing ratio was 8%. As at 30 June 2018 and 30 June 2019, the Group did not have assets pledged for bank borrowings.

The Group strives to improve the working capital management and focus on the overall cash conversion cycle days which are calculated by adding the inventory turnover days and receivables turnover days and subtracting the payables turnover days. For the year ended 30 June 2019, the cash conversion cycle days were 57 days as compared to 62 days in previous year.

	As at 30 Jun 2019 (Days)	As at 30 Jun 2018 (Days)
Inventory turnover days	**57**	52
Receivables turnover days	**60**	55
Payables turnover days	**60**	45
Cash conversion cycle days	**57**	62

Capital expenditure during the year amounted to HK$41 million of which the majority was for the establishment of dedicated manufacturing facility for innovative technical products and also the expansion of overseas factory capacity.

FOREIGN EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

REMUNERATION POLICY

As at 30 June 2019, the Group had employed approximately 8,853 employees (30 June 2018: approximately 8,684 employees).

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

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

On 20 August 2019, Top Form Brassiere Mfg. Co., Limited ("TFB"), an indirect wholly-owned subsidiary of the Company, Hong Kong Tak Fung Holdings Limited (the "JV Partner") and Goal Plus Investment Limited, a direct wholly-owned subsidiary of TFB (the "JV Company") entered into a joint venture agreement (the "JV Agreement") in relation to formation and management of a joint venture pursuant to which the JV Company will incorporate a wholly-owned subsidiary in Thailand that will principally engage in manufacturing of seamless products.

As at the date of the JV Agreement, the issued share capital of the JV Company is US$100 for 100 ordinary shares, which owned as to 100% by TFB. Pursuant to the JV Agreement, additional investment to the JV Company shall be US$4,999,900, of which US$2,999,900 and US$2,000,000 will be contributed by TFB and the JV Partner respectively in cash. Upon completion, the JV Company will be owned as to 60% by TFB and as to 40% by the JV Partner. More details can be found in the announcement of the Company dated 20 August 2019.

Other than the event disclosed above, the Group had no other material non-adjusting event after the reporting period.

OUTLOOK AND FUTURE DEVELOPMENT

Top Form expects to be challenged in navigating the economic fluctuations over the coming months. Against severe volatility in the global economy, the recent fall of the Chinese Yuan below the psychological barrier of seven Yuan to the US Dollar raises the prospect of further escalation of trade tensions between the US and China.

Yet, the events of the past year have underscored the important balance we have made in being disciplined in driving operating efficiency and cost control, while having the resolve to take swift action in the face of change, and maintaining our vision to implement our transformation plan.

Over the next twelve months, we intend to continue executing on important strategic initiatives including growing and diversifying our South East Asian capacity; ramping up Myanmar facility, kicking off seamless production in our Thailand factories and continuing to develop and produce innovative fused product from our new facility in Thailand and always remaining focused on delivering the best service for our customers to grow our business sustainably.

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 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

A review of the business of the Group during the year and a discussion on the Group's future business development and uncertainties and an analysis of the performance using financial key performance indicators are set out in the Chairman's Statement on page 3 and the Management Discussion and Analysis on pages 4 to 6 of this annual report. The principal risks facing the Group are set out in the Management Discussion and Analysis on pages 4 to 6 and the financial risk management objective and policies detailed in note 24 to the consolidated financial statements.

Details regarding the environmental, social and governance practices adopted by the Group will be set out in the Environmental, Social and Governance Report on pages 31 to 39 of this annual report.

In addition, the Group's compliance with relevant laws and regulations and key relationships with employees, customers and suppliers are set out on page 8 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2019 are set out in the Consolidated Statement of Profit or Loss on page 45.

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 30 June 2019 (for the year ended 30 June 2018: a final dividend of HK$0.05 per share).

No interim dividend for the six months ended 31 December 2018 has been paid to the Shareholders during the year ended 30 June 2019 (for the six months ended 31 December 2017: HK$0.05 per share).

Directors' report

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2019 AGM

The main and branch registers of members of the Company will be closed from 28 October 2019 to 31 October 2019 for the purpose of determining the shareholders' entitlement to attend and vote at the forthcoming annual general meeting on 31 October 2019 ("AGM"). During that period, no transfer of shares will be registered. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 25 October 2019.

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 110.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 30 June 2019, the Company was not aware of any non-compliance with any relevant laws and regulations that have a significant impact on the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

At 30 June 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$238,710,000 (2018: HK$250,193,000).

BANK LOANS

Details of unsecured bank loans the Group as at 30 June 2019 are set out in note 20 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Mr. Wong Chung Chong	*(Chairman)*
Mr. Wong Kai Chung, Kevin	*(appointed as Chief Executive Officer on 24 August 2018)*
Mr. Wong Kai Chi, Kenneth	*(Managing Director)*

Non-executive Directors

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

Independent non-executive Directors

Mr. Chow Yu Chun, Alexander	
Ms. Leung Churk Yin, Jeanny	
Mr. Leung Ying Wah, Lambert	
Mr. Lin Sun Mo, Willy	
Mr. Marvin Bienenfeld	*(retired on 31 October 2018)*

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

In accordance with bye-law 87(2) of the Company's Bye-laws, Mr. Wong Kai Chung, Kevin, Mr. Chow Yu Chun, Alexander, Ms. Leung Churk Yin, Jeanny and Mr. Leung Ying Wah, Lambert will retire by rotation at the AGM. Mr. Chow Yu Chun, Alexander will not offer himself for re-election at the AGM while the other retiring Directors, being eligible, offer themselves for re-election.

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

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

CONFIRMATION OF INDEPENDENCE ON INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors of the Company and senior management of the Group are set out on pages 16 to 18 of the annual report.

CONNECTED TRANSACTIONS

The Group has been for the past 37 years conducting transactions with Van de Velde N. V. ("VdV") by supplying ladies' intimate apparel to VdV. VdV is a connected person of the Company by virtue of it being a substantial shareholder of the Company holding approximately 25.66% of the issued share capital of the Company. Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the non-executive director and the Chairman of VdV respectively, are non-executive Directors of the Company. Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange) hold an indirect equity interest of 56.26% in VdV via a jointly controlled corporation and therefore they are deemed to be connected persons of the Company. All transactions between VdV and the Group would constitute continuing connected transactions (the "Continuing Connected Transactions") pursuant to the Listing Rules of the Hong Kong Stock Exchange. Accordingly, a master agreement dated 18 September 2005 (the "Master Agreement") had been entered into between VdV and the Company to govern the Continuing Connected Transactions and to set annual caps for the Continuing Connected Transactions in respect of the three financial years ended 30 June 2008.

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

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

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

Name of the connected person	Nature of the continuing connected transactions	Amount HK$'000	Annual cap set for the year ended 30 June 2019 HK$'000
VdV	Sale of ladies' intimate apparel by the Group to VdV	102,807	145,000

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

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

2. on normal commercial terms; and

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

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

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

SHARE OPTIONS

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

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS

As at 30 June 2019, the interests and short positions of the Directors or the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long positions:

Ordinary shares of HK$0.50 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wong Chung Chong	Beneficial owner and interests held by spouse and a controlled corporation and persons acting in concert (note 1)	61,026,823	28.38%
Wong Kai Chung, Kevin	Interests held by a controlled corporation and persons acting in concert (note 2)	60,626,823	28.19%
Wong Kai Chi, Kenneth	Persons acting in concert (note 3)	60,626,823	28.19%
Herman Van de Velde	Interests held by a controlled corporation (note 4)	55,184,708	25.66%
Fung Wai Yiu	Beneficial owner and interests held by spouse (note 5)	8,705,704	4.05%
Chow Yu Chun, Alexander	Beneficial owner	680,104	0.32%
Leung Ying Wah, Lambert	Beneficial owner	80,000	0.04%
Leung Churk Yin, Jeanny	Beneficial owner	14,104	0.01%

Notes:

1. 4,488,504 shares were beneficially owned by Mr. Wong Chung Chong ("Mr. Wong") whereas 220,000 shares were held by the spouse of Mr. Wong and 52,318,319 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Mr. Wong. 4,000,000 shares were registered in the name of Triple Gains Ventures Limited ("TGV"), 41.36% equity interest of which was held by Mr. Wong Kai Chung, Kevin ("Mr. Kevin Wong"), and deemed to be interested by Mr. Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

2. 4,000,000 shares were held by TGV, 41.36% equity interest of which was held by Mr. Kevin Wong, and 56,626,823 shares were deemed to be interested by Mr. Kevin Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

3. 60,626,823 shares were deemed to be interested by Mr. Wong Kai Chi, Kenneth who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

4. 55,184,708 shares were held by VdV. Mr. Herman Van de Velde held an indirect equity interest in Van de Velde Holding N. V. which in turn directly held 56.26% of the equity interest of VdV.

5. 4,618,504 shares were beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 4,087,200 shares were held by the spouse of Mr. Fung.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 30 June 2019.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and as far as was known to the Directors of the Company, persons (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Ordinary shares of HK$0.50 each of the Company

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

Notes:

1. 52,318,319 shares were beneficially owned by High Union Holdings Inc. whereas 8,308,504 shares were deemed to be interested by High Union Holdings Inc. which was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

2. 4,000,000 shares were beneficially owned by TGV whereas 56,626,823 shares were deemed to be interested by TGV which was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

3. 3,562,200 shares were beneficially owned by Mr. David Michael Webb and 7,209,800 shares were held by Preferable Situation Assets Limited, the shares of which were held by Mr. David Michael Webb.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 30 June 2019.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The respective percentages of the Group's purchases from major suppliers and revenue attributable to major customers for the year ended 30 June 2019, were as follows:

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

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

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

CHARITABLE DONATION

During the year, the Group made charitable donations amounting to HK$43,000 (2018: HK$104,000).

EMOLUMENT POLICY

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

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

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 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 2019, as required under the Listing Rules of Hong Kong Stock Exchange.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group occurring after the reporting period are set out in note 32 to the consolidated financial statements.

Directors' report

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance principles and practices and has throughout the year, except for the deviations stated and explained in the Corporate Governance Report set out on pages 19 to 30 of this report, complied with the code provisions as set out in the Corporate Governance Code, Appendix 14 to the Listing Rules of Hong Kong Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Audit Committee, together with the management and the Company's external auditors, have reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal controls systems and financial reporting matters, and reviewed the financial results for the year ended 30 June 2019.

AUDITORS

The consolidated financial statements for the year ended 30 June 2019 have been audited by Messrs. KPMG who will retire and offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Messrs. KPMG as the Company's auditors will be proposed at the forthcoming AGM of the Company.

On behalf of the Board

Wong Chung Chong
Chairman
Hong Kong

27 August 2019

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Chung Chong (黃松滄), aged 73, has been the Chairman and an Executive Director since 31 October 2014 and 19 November 1991 respectively. He is also the authorized representative and was a member of the Nomination Committee of the Company until 31 October 2018. Mr. Wong is the co-founder of the Group and has taken over the role as Chairman of the Company since 31 October 2014. He is responsible for managing the Board issue and supervising the management team in adherence to the long term strategic development of the Group. He attains extensive experience and is very knowledgeable in the brassiere manufacturing industry. He has over 53 years of experience in the brassiere trade. He is also a director of a number of subsidiaries of the Company. Mr. Wong is the father of Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin, both are Executive Directors of the Company.

Mr. Wong Kai Chung, Kevin (黃啟聰), aged 43, has been an Executive Director since 1 March 2011, and was the Vice Chairman of the Company from 22 May 2015 to 23 August 2018. He was appointed as the Group's Chief Executive Officer on 24 August 2018. He is the authorized representative of the Company. Mr. Kevin Wong is an alternate Nomination Committee member to Mr. Kenneth Wong since 19 February 2016. Mr. Kevin Wong joined the Group in 2001. He is a director of Top Form Brassiere Mfg. Co., Limited and various subsidiaries of the Company. He has over 20 years of experience in business development, manufacturing operations, supply chain and finance. Mr. Kevin Wong graduated from Colby College, the United States of America majoring in Economics and International Studies in 1998. He was awarded a Master of Business Administration degree issued jointly by the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology in 2016. He is the holder of the Chartered Financial Analyst designation. Mr. Kevin Wong is the son of Mr. Wong Chung Chong and the younger brother of Mr. Kenneth Wong.

Mr. Wong Kai Chi, Kenneth (黃啟智), aged 45, has been an Executive Director and the Managing Director of the Company since 1 March 2011 and 22 May 2015 respectively. Mr. Kenneth Wong has been appointed as a member of the Nomination Committee of the Company since 19 February 2016. He joined the Group in 1997 and is a director of Top Form Brassiere Mfg. Co., Limited, a principal wholly owned subsidiary of the Company and various subsidiaries of the Company. Mr. Kenneth Wong is responsible for the Group's business development and marketing functions. He is currently the Honorary Chairman of Hong Kong Intimate Apparel Industries' Association since 1 December 2016. He is also a panel member of the Textile and Clothing Research Projects Assessment under Innovation and Technology Fund since 1 January 2017 and the Vice Chairman of Multi-Textiles and Fashion Accessories Council for Federation of Hong Kong Industries since 2017. He holds a Bachelor degree in Marketing and Operations Management from School of Management, Boston University in the United States of America and a Master degree in International Business from Asian Institute of Technology in Thailand. He has been awarded the Young Industrialist Awards of Hong Kong 2015 by the Federation of Hong Kong Industries. Mr. Kenneth Wong is the son of Mr. Wong Chung Chong and the elder brother of Mr. Wong Kai Chung, Kevin.

NON-EXECUTIVE DIRECTORS

Mr. Fung Wai Yiu (馮煒堯), aged 71, is a Non-executive Director and a member of the Nomination Committee of the Company. Since 1998 and prior to his re-designation as a Non-executive Director of the Company on 31 October 2014, Mr. Fung served as the Chairman and an Executive Director of the Company and was responsible for the Group's business strategy and development. Mr. Fung is currently a director of Hongkong Sales (International) Limited, a knitwear apparel manufacturing company. He has over 50 years of experience in the apparel industry.

Mr. Lucas A.M. Laureys, aged 74, has been a Non-executive Director of the Company since September 2002. He has been re-designated as a non-executive director of Van de Velde N. V. since 1 January 2016, the shares of which are listed on the NYSE Euronext Brussels stock exchange. Mr. Laureys has over 47 years of experience in the brassiere trade and specialises in marketing. Mr. Laureys holds a degree in Economics from the University of Ghent, a Master Degree in Marketing from the University of Leuven and a Master Degree in Business Administration from the University of Ghent Vlerick Business School. He was formerly a board member of Delta Lloyd Bank N. V. and the Chairman of the Board of Omega Pharma (a company previously listed on Euronext).

Mr. Herman Van de Velde, aged 65, has been a Non-executive Director of the Company since September 2002. He also serves as a member of the Compensation Committee and the Nomination Committee of the Company. He has been appointed as the Chairman of the board of Van de Velde N. V. since 1 January 2016 and remains a non-executive director of Van de Velde N. V., the shares of which are listed on the NYSE Euronext Brussels stock exchange. He is also an independent director of Alsico, a Belgian garment company and Brabantia, a Dutch family owned company. He also holds several mandates in non-profit organisations. Mr. Van de Velde joined the brassiere industry in 1981 and is well versed in operating the brassiere business in Europe.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Chow Yu Chun, Alexander (周宇俊), aged 72, has been an Independent Non-executive Director of the Company since February 1993. He also serves as the chairman of the Nomination Committee and a member of the Audit Committee. He has over 40 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Chow is currently an independent non-executive director of Symphony Holdings Limited, Playmates Toys Limited and China Strategic Holdings Limited, all companies are listed on the Hong Kong Stock Exchange and an independent non-executive director of Aquis Entertainment Limited, the shares of which are listed on the Australian Securities Exchange.

Ms. Leung Churk Yin, Jeanny (梁綽然), aged 54, has been an Independent Non-executive Director of the Company since September 2008. Prior to this, she had been an Executive Director of the Company since February 1998 and re-designated as a Non-executive Director in April 1999. She also serves as a member of the Audit Committee, the Compensation Committee and the Nomination Committee of the Company. Ms. Leung is a seasoned investment banker with 30 years of corporate finance experience in Hong Kong, Mainland China and Taiwan. Ms. Leung is currently an executive director of Altus Holdings Limited (stock code: 8149), a company listed on GEM of Hong Kong Stock Exchange.

Mr. Leung Ying Wah, Lambert (梁英華), aged 72, has been an Independent Non-executive Director of the Company since May 2006. He is the Chairman of the Audit Committee and a member of the Compensation Committee and the Nomination Committee. Mr. Leung was the Chief Executive Officer of a leading construction materials company. He is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Leung was the Past Chairman of the Hong Kong Cement Traders and Producers Association and the Past Chairman of the Hong Kong Construction Materials Association.

Mr. Lin Sun Mo, Willy (林宣武), GBS, MBE, JP, FCILT, aged 59, has been an Independent Non-executive Director of the Company since May 2006. Mr. Lin is the chairman of the Compensation Committee and a member of both Audit Committee and Nomination Committee of the Company. He holds a Bachelor of Science degree from Babson College in the United States of America and is the Managing Director of Milo's Knitwear (International) Limited. Mr. Lin is concurrently the Chairman of The Hong Kong Shippers' Council and Hong Kong Productivity Council, Honorary Chairman of Textile Council of Hong Kong, a member of the HKSAR's Logistics Development Council, Maritime and Port Board, Trade and Industry Advisory Board, an Ex-officio member of Committee on Innovation, Technology and Re-industrialisation, a Committee Member of the Chinese People's Political Consultative Committee of Jieyang, Guangdong, Honorary Trade Advisor of Ministry of Commerce of Thailand and Honorary Consul of the Slovak Republic in Hong Kong and Macao.

Biographical details of directors and senior management

SENIOR MANAGEMENT

Mr. Thomas Hirschmugl, aged 50, was appointed Chief Manufacturing Officer of the Group in November 2018. He is responsible for the Group's supply chain, manufacturing systems and engineering capabilities. He has over 30 years of experience in industrial engineering and manufacturing. He held senior positions in various large scale multi-site manufacturing companies in China, Asia-Pacific and Europe. He holds a Bachelor's degree in Business Administration.

Ms. Anna Maria Swierkosz, aged 53, joined the Group in January 2019 as the Chief Product Officer of the Group. She leads the development of product strategy and manages product design, innovation and creation capabilities to support business strategy of the Group. She possesses more than 30 years of experience in intimate design and product development. She holds a degree of Associate in Applied Science.

Mr. Pun Chi Wa (潘志華), aged 47, was appointed Chief Financial Officer of the Group and the Company Secretary of the Company in June 2018. He is responsible for managing the Company's finances and assisting on all of the Group's strategic developments and tactical matters in the formulation of future Group direction. He has over 25 years of financial and operational management experience and held senior positions in various companies before joining the Group. Mr. Pun holds a Bachelor's degree in Business Administration and is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Tse Ting Ting (謝婷婷), aged 51, is the Chief People Officer of the Group. She oversees all aspects of human resources management for the Group and assists in developing the Group's strategy in relation to human capital. She joined the Group in September 2018 and has 30 years of experience in human resources roles with more than 10 years in regional management roles at multinational corporations and business with large workforce. She holds a Master's degree in Business Administration.

Ms. Poon Yin Fun (潘燕芬), aged 60, has been the Group Technology Director since February 2018. She is responsible for developing the Group's information technology strategies and leading its implementation. She has over 30 years of experience in information technology and held senior positions in multinational corporations. She holds a Master's degree in Business Administration and is a certified Project Management Professional (PMP).

Corporate governance report

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

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

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

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

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

BOARD RESPONSIBILITIES AND DELEGATION

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

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

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

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

i. long-term objectives and strategies;

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

iii. recommendations as to dividend;

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

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

vi. material connected transactions;

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

BOARD RESPONSIBILITIES AND DELEGATION – CONTINUED

viii. material raising of external finance;

ix. appointment and removal of external auditors;

x. annual capital expenditure budget;

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

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

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

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

BOARD COMPOSITION

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

BOARD, BOARD COMMITTEE AND SHAREHOLDERS' MEETINGS

The Board held four regular meetings during the year ended 30 June 2019. Regular Board meetings are scheduled at least three months in advance to give Directors the opportunity to include matters in the agenda and at least 14 days formal notice is given before each regular Board meeting. The Board papers and related materials are circulated to Directors three days prior to Board meetings and Board committee meetings.

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

BOARD, BOARD COMMITTEE AND SHAREHOLDERS' MEETINGS – continued

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

The attendance of the Directors at Board meetings, committee meetings and annual general meeting of the Company during the year ended 30 June 2019 were as follows:

	Number of meetings attended/eligible to attend				
	Board Meeting	Audit Committee Meeting	Compensation Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors					
Mr. Wong Chung Chong *(Chairman)**	4/4	–	–	1/1	1/1
Mr. Wong Kai Chung, Kevin *(Chief Executive Officer)*	4/4	–	–	–	1/1
Mr. Wong Kai Chi, Kenneth *(Managing Director)*	4/4	–	–	2/2	1/1
Non-executive Directors					
Mr. Fung Wai Yiu	3/4	–	–	2/2	0/1
Mr. Lucas A.M. Laureys#	0/4	–	–	–	0/1
Mr. Herman Van de Velde	3/4	–	2/2	2/2	0/1
Independent Non-executive Directors					
Mr. Chow Yu Chun, Alexander	4/4	2/2	–	2/2	1/1
Ms. Leung Churk Yin, Jeanny	4/4	2/2	2/2	2/2	1/1
Mr. Leung Ying Wah, Lambert	4/4	2/2	2/2	2/2	1/1
Mr. Lin Sun Mo, Willy*	2/4	2/2	1/1	2/2	0/1
Mr. Marvin Bienenfeld* *(retired on 31 October 2018)*	1/1	1/1	1/1	1/1	0/1

* Mr. Marvin Bienenfeld retired as an independent non-executive Director on 31 October 2018. Mr. Wong Chung Chong resigned as a member of Nomination Committee and Mr. Lin Sun Mo, Willy was appointed as the chairman of Compensation Committee on 31 October 2018.

\# Mr. Lucas A.M. Laureys was absent from the meetings during the year for personal reasons.

Board Committees

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

Audit Committee

The Audit Committee currently consists of four independent non-executive Directors, Mr. Chow Yu Chun, Alexander, Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy. Mr. Marvin Bienenfeld resigned as a member of Audit Committee on 31 October 2018.

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

Audit Committee – continued

Two meetings have been held during the year ended 30 June 2019. The principal work performed by the Committee during the year ended 30 June 2019 included:

- review of the Company's financial statements for the year ended 30 June 2019 and for the six months ended 31 December 2018 and recommending such financial statements to the Board for their approval and adoption;
- discussions with the external auditors and reporting to the Board any significant matters arising from the interim review and annual audit;
- review of the audit reports submitted by Internal Audit Department regarding the systems of internal control and risk management;
- review and approval of the audit planning;
- review of the Continuing Connected Transactions; and
- recommending the re-appointment of KPMG as the auditors of the Company to the Board, subject to shareholders' approval at annual general meeting.

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

Compensation Committee

The Compensation Committee currently consists of one non-executive Director, Mr. Herman Van de Velde and three independent non-executive Directors, Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy. Mr. Marvin Bienenfeld resigned as a chairman of Compensation Committee and Mr. Lin Sun Mo, Willy was appointed in place of his position on 31 October 2018.

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

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

The details of remuneration of Directors are disclosed on an individual basis in note 7(a) to the consolidated financial statements. In addition, pursuant to code provision B.1.5 of the Code, the remuneration paid to other member of the senior management by band for the year ended 30 June 2019 is set out below:

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

The Compensation Committee held two meetings during the year ended 30 June 2019. During the year, The Compensation Committee has reviewed and made recommendations to the Board the remuneration of executive Directors and Non-executive Directors for approval. In addition, the Compensation Committee has reviewed and considered the incentive plan that is linked to the Group's performance and long term goals. The incentive plan is designed with the purpose to motivate and retain key executives and employees and align the long term interest of management with those of the Shareholders.

Nomination Committee

The Nomination Committee currently comprises one executive Director, Mr. Wong Kai Chi, Kenneth, two non-executive Directors, Mr. Fung Wai Yiu and Mr. Herman Van de Velde and four independent non-executive Directors, Mr. Chow Yu Chun, Alexander, Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy, representing a majority of independent non-executive Directors. Mr. Wong Chung Chong and Mr. Marvin Bienenfeld resigned as a member of Nomination Committee on 31 October 2018.

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

The Nomination Committee held two meetings during the year ended 30 June 2019. The principal work performed by the Committee during the year ended 30 June 2019 included:

- to assess the independence of all independent non-executive Directors;
- to review the structure, size and composition of the Board, taking into account various diversity aspects set out in the Board diversity policy;
- to consider and make recommendations to the Board on the retirement and re-election of Directors at the annual general meeting;
- to consider and make recommendations to the Board on the proposed appointment of Chief Executive Officer, retirement of a director and changes in composition of the Board committees; and
- to review the nomination policy and make recommendation to the Board for approval and adoption.

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

BOARD DIVERSITY POLICY

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

Corporate governance report

NOMINATION POLICY

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS – continued

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

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

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

- select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;
- state the reasons for any significant departure from accounting standards; and
- prepare the financial statements on a going concern basis, unless it is not appropriate to assume that the Company and the Group will continue in business for the foreseeable future.

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

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

The statement by the external auditor of the Company regarding their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 40 to 44 of this annual report.

Corporate governance report

ACCOUNTING, INTERNAL AUDIT AND FINANCIAL REPORTING FUNCTIONS

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

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

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

DIVIDEND POLICY

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

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of Group;
- the current and future operations, liquidity position and capital requirements of the Group;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any; and
- other factors that the Board deems relevant.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the year, all Directors have complied with the code provision in relation to continuous professional development. The Directors' knowledge and skills are continuously developed and refreshed by reading materials, webcast and guidelines on subjects relating to directors' role in corporate governance and the corporate governance updates as well as the Board's leadership role in Environmental, Social and Governance matters. The Company Secretary from time to time provided all Directors with relevant Directors' guides for their discharge of duties and updates on changes of relevant rules and regulations.

CONTINUOUS PROFESSIONAL DEVELOPMENT – CONTINUED

The records of the Directors' training during the year ended 30 June 2019 are as follows:

	Type of Training
Executive Directors	
Mr. Wong Chung Chong *(Chairman)*	A
Mr. Wong Kai Chung, Kevin *(Chief Executive Officer)*	A
Mr. Wong Kai Chi, Kenneth *(Managing Director)*	A
Non-executive Directors	
Mr. Fung Wai Yiu	A
Mr. Lucas A.M. Laureys	A
Mr. Herman Van de Velde	A
Independent non-executive Directors	
Mr. Chow Yu Chun, Alexander	A
Ms. Leung Churk Yin, Jeanny	A
Mr. Leung Ying Wah, Lambert	A
Mr. Lin Sun Mo, Willy	A
Mr. Marvin Bienenfeld *(retired on 31 October 2018)*	A

A: Reading Materials, Webcast and Guidelines

AUDITOR

For the year ended 30 June 2019, the external auditor, KPMG, received HK$1,900,300 for audit services and HK$174,700 for non-audit services. The non-audit services represented tax compliance services.

INSURANCE FOR DIRECTORS' AND OFFICERS' LIABILITY

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

Corporate governance report

INTERNAL PROCEDURES AND CONTROLS FOR DISSEMINATION OF INSIDE INFORMATION

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

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

COMPANY SECRETARY

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

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

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

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

BUSINESS INTEGRITY

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

BUSINESS INTEGRITY – continued

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

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

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

COMMUNICATIONS WITH THE INVESTMENT COMMUNITY

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

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

During the year under review, one annual general meeting (the "2018 AGM") was held at which, the Chairman of the Board, the Chief Executive Officer, the Managing Director, the chairman or the members of respective Board committees and the external auditor attended the 2018 AGM and were available to answer questions from shareholders of the Company (the "Shareholders").

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS – CONTINUED

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

Procedures for Shareholders to Convene a Special General Meeting ("SGM")

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

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

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

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

Procedures for Sending Enquiries to the Board

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

Procedures for Shareholders to Put Forward Proposals at General Meetings

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

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

CONSTITUTIONAL DOCUMENT

There is no change in the Memorandum of Association and Bye-laws of the Company during the year ended 30 June 2019. The aforesaid constitutional document is available for public inspection at the Company's Website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

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

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

This report discusses information of our policy, efforts and achievements towards environmental, social and governance issues from 1 July 2018 to 30 June 2019 (the "Fiscal 2019").

Profile and Scope

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

Report assurance

Data and case studies mentioned in this report originate from our internal documents. The Group confirms that this report does not contain false or misleading statements. The Group is responsible for the authenticity, accuracy and completeness of content of this report.

Contact

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

VISION

It is Top Form's vision to be the leading international apparel partner, from ideation to delivery, driven by insights and built on sustainable operations. Top Form employs over 8,000 people across China, Thailand, and Cambodia, with our headquarters in Hong Kong. We provide end-to-end service, from material sourcing to finished garments, and our product category ranges from panties to functional sports bras. Our strong foothold in the competitive market stems from a combination of our products' concept designs, which utilizes innovative technologies, and our multinational production base, which offers global logistics solutions.

MISSION

"Top Form strives to make a lasting positive impact through our actions, our relationships and the quality work we do", and we deliver sustainable values to our key stakeholders by focusing on three corporate social responsibility pillars: Sustainable Manufacturing, Employer of Choice and Good Corporate Citizen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

In the financial year of 2017, the Group engaged with specific stakeholders to evaluate their needs and interests in a range of sustainability topics, and we identified the topics that are most material to our business. Based on the output of the materiality assessment, the Group disclosed the management approach and summarized three key focus areas (Sustainable Manufacturing, Employer of Choice, and Good Corporate Citizen) spanning eleven aspects of sustainability that exhibited greater material impacts and opportunities for the Group and our stakeholder, which is the framework for this year's report.

MATERIALITY MATRIX

EMPLOYMENT

At Top Form, our remuneration and benefits not only include local regulatory requirements such as contributions to social insurance and other legal standards, we also take into account market offers, time commitments, responsibilities and employment conditions to develop our remuneration packages. Each operating facilities has its own set of promotion and benefit policies to ensure that employee remuneration is based on performance.

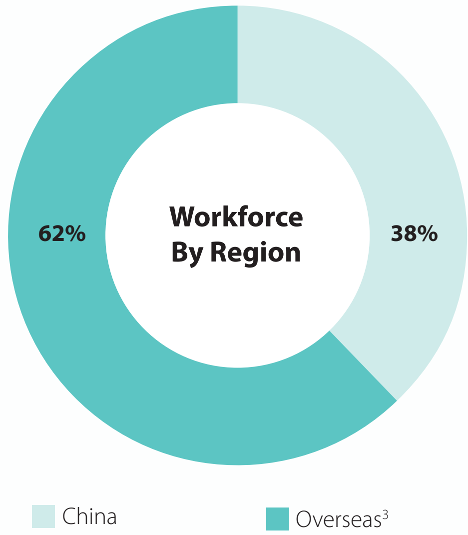
Compensation is also paid for work overtime according to local labour laws. Upon terminating any employees with dissatisfactory performance or of any other reasons, the Group pays the relevant dismissal compensation in accordance with their service contracts and the relevant laws and regulations.

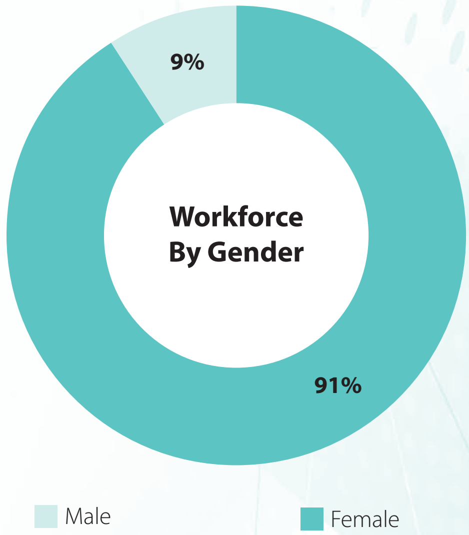
We put great emphasis on treating every employee fairly and we fully comply with local requirements with respect to minimum age. In practice, our Human Resource Department follows the Code of Conduct and Labor Practice Policy[1] to implement relevant procedures and training to ensure that we provide a work environment that offers equal opportunities to all employees and any discrimination with regards to age, gender or ethnicity is prohibited.

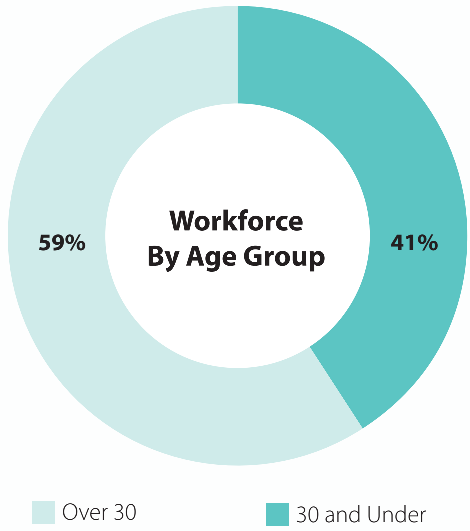
At Top Form, we take pride in the diversity of our talented people and believe that diverse teams make innovation possible. With over 15 nationalities employed into the Group, we continue to maintain an inclusive environment where all people are valued and respected.

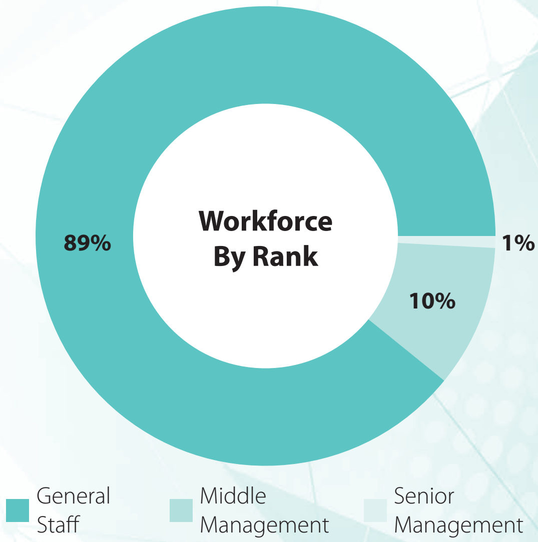
[1] Our Labor Practice Policy is set out on page 13 of 2017 Sustainability Report published in November 2017.

As at 30 June 2019, the Group employed a total of 8,853 employees[2].









HEALTH AND SAFETY

Top Form conducts its operations in accordance with the industry standards and legal requirements of the countries in which it operates in order to provide a safe and healthy working environment for our employees. Environmental, Health and Safety ("EHS") Policy is established to provide guideline to our operation leaders of the expectation of our working environment. In addition, the local EHS Committee meets regularly to review EHS matters such as self-audits results, past incidences and progress of corrective actions.

Safety awareness and preventive measures training is crucial in maintaining a safe workplace. Safety trainings are conducted such as how to identify safety hazards and how to use Personal Protective Equipment ("PPE") to our workforce. Fire drills are also organized with local fire department regularly, and evacuation maps are displayed at key locations at our operation sites.

[2] The Group only employs full-time employees.
[3] Overseas region includes Thailand and Cambodia.

Annual health and safety audit is also conducted by headquarters to assess and monitor effective measures are in place. The Group also values work-life balance of our employees, and we organize various activities to promote a healthy life style such as aerobic dances and football matches to our Thailand workers, or inviting external experts to provide health talks to our office staffs.

During the reporting year, there is no occupational fatality occurred and it recorded 42 lost day incidences, which accounts to an average of 12 lost days per injured employee.

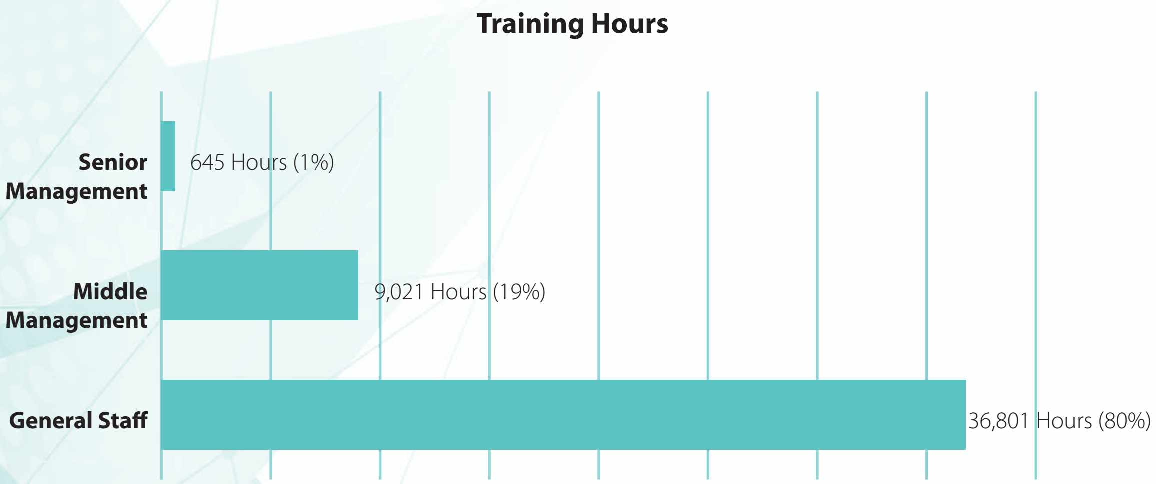
DEVELOPMENT AND TRAINING

Training is essential to maintain operation efficiency and support the professional development of our employees. During reporting year, an average of 5.3 training hours is provided to each employee. All level of employees received trainings provided by the Group or external institutes. Not only do we provide basic orientation and job skill training to new associates, but a diverse set of vocational training is also provided to strengthen their knowledge in the garment manufacturing industry. We believe that our employees deserves the opportunity to grow without needing to make significant financial commitments, thus, we offer training sponsorships to employees with leadership roles to attend classes and workshops to continue their professional development.

Maintaining high level of transparency between management and employee is important, annually, we arrange staff briefing sessions at our headquarters or Shenzhen office and all factories with senior management team to review the operational performance and discuss the future prospects of the Company with department heads or managers.

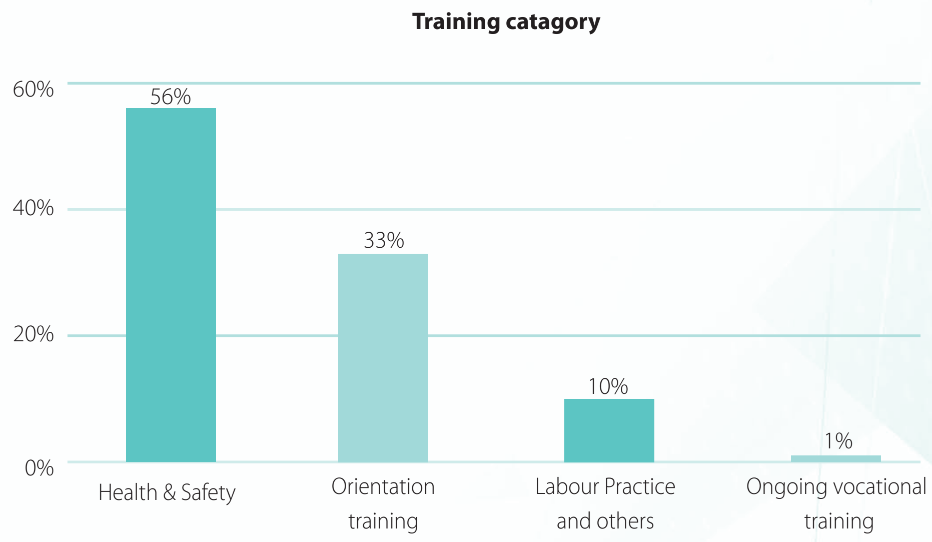
The Group has a performance assessment system ("PMS") in place which provides an impartial, periodic and systemic evaluations for all levels of employees. The performance appraisal is open and encourages two-way communication where employees have the opportunity to speak with supervisors or managers related to career development and work achievements. The PMS is designed with the objectives to establish the basis for reward management and align individual performance and goals with the Group's long term business goals and values.

The total training hours of employees trained by employee category and the respective percentages during the reporting year were as follows:



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

Average training hours per employee by gender	
Male: 7.2 hours	Female: 5.2 hours



The Group considers that average training hours by training category are better representation of the performance indicator and all of employment receives trainings provided by the Group.

LABOUR STANDARDS

Top Form is subject to various compliance audits by our customers, third party and local authorities on an annual basis, and we work closely with these external stakeholders to ensure we meet expected compliance requirements. Major production facilities in Top Form Bra have obtained Golden Certificate of Compliance of Worldwide Responsible Accredited Production (WRAP[4]), which recognizes our plant's compliance with all accredited production principles.

[4] The WRAP 12 principles are based on generally accepted international workplace standards, local laws and workplace regulations, and include the spirit or language of relevant conventions of the International Labor Organization (ILO). The Principles encompass human resources management, health and safety, environmental practices, and legal compliance including import/export and customs compliance and security standard.

The Group does not accept and prohibits the employment of either child or forced labor and it is outlined in our Labor Practice Policy. Our recruitment procedure verifies the age of job applicants to ensure the candidates are at least of the legal minimum working age.

During the Fiscal 2019, we did not receive any complaints regarding human rights, forced labor, or gender, underage and other types of discrimination within the Group.

SUPPLY CHAIN MANAGEMENT

Implementing and managing a sustainable supply chain is a complex process that requires close collaboration between customers, garment manufacturers and our customers' nominated suppliers. An essential business value that Top Form delivers to our customer is the capacity to manage a global supply chain from end to end on their behalf, and we communicate regularly with our suppliers the importance of material quality to reduce waste and continuous to explore opportunities to work with suppliers that offer sustainable material.

99% of over 190 suppliers are either OEKO-TEX® Standard or bluesign® certified, and our procurement team closely monitors the handful of suppliers who are not certified to ensure their products do not exceed customers' chemical requirements via third party lab tests. In addition, procedures are established to screen and monitor our suppliers can meet our internal environmental standards.

Suppliers based by geograhpical region

PRODUCT RESPONSIBILITY

At Top Form, we obtained third party accreditation for raw material quality control process to ensure the raw material used in our products meet customers' requirements. Testing reports conducted by third party or accredited laboratory are demanded if deviation is discovered from the production standard.

Quality risk assessment process begins at development stage to set quality standards and identify quality control area before production. Quality assurance department in production conducts comprehensive quality check in accordance to internal procedures and guidelines. Training of quality standards and inspection procedures are routinely reviewed to ensure the bulk product complies with customers approved standards. Escalation procedure is established to address any quality issue raised from customer after delivery.

Accreditations for product quality	Accredited by	Area of accreditation
Internal Laboratory	Customers via third party audit	Quality assurance of material and product
Production facilities: ✓ Long Nan ✓ Grand Gain[5] ✓ 2 factories in Thailand ✓ 1 factory in Cambodia	OEKO–TEX ® Standard 100	Our products have passed the OEKO–TEX ® Standard 100 standard accreditation. The standard examines hazardous substances in textiles and guarantees the product's safety. It is a widely recognized quality assurance standard in the textile and garment industry.

The Group respects the intellectual property rights such as design, printed logos, or artwork of our customers and it is critical to protect these assets to maintain trust and prevent customers from losses. Confidentially agreements are engaged both with our customers and employees to ensure confidential information are handled appropriately; and periodically, our facilities follow customer procedures to destruct left over production material that contains brand name or licenced logo to safeguard improper use.

ANTI-CORRUPTION

The Group strictly adheres to anti-corruption rules and regulations in the respective countries in which our business operates. Top Form is committed to conducting its business responsibly and professionally and our Code of Conduct contains information regarding bribery, anti-corruption, procedures of reporting suspected of violating the Code of Conduct, and we make every effort to keep the identity of the reporting staff confidential.

Top Form prohibits employees from engaging in any competing business, investment or activity that might pose a conflict between individual interests and those of the Group. Our employees are required to complete a Conflict of Interest Statement to declare any existing or potential conflict of interest situations. Employees are responsible for declaring any financial directly or indirectly related to the Group such as their immediate family has personal contract or agreement of any nature with Top Form's suppliers, contractors or customers in order to prevent any potential misconduct.

No incident of corruption occurred during the reporting period.

COMMUNITY INVESTMENT

Top Form continuously engages and enhances the wellbeing of the communities where we operate via sponsorships, charitable donations and a wide range of community service activities. Volunteers from different regions support underprivileged young children, people with disabilities and paying visits to the elderly throughout the year.

During the reporting year, massive flooding occurred near our Thailand and Longnan operation facilities and impacted many low rise home. Our local team reached out to various affected villages and offered their support by purchasing and distributing relief necessities such as food and blankets. We have also volunteered to help the clean up and affected families.

The Group contributed a total of 1,500 volunteer hours and in the sum of HK$43,000 in charitable donation in Fiscal 2019. We are proud to be recognized as a "Caring Company" awarded by The Hong Kong Council of Social Service, where the awardee demonstrate good corporate citizenship for the various community engagement activities we have achieved.

EMISSIONS/THE ENVIRONMENT AND NATURAL RESOURCES

At Top Form, we recognize the importance of environmental stewardship in all our business operations and persistently modernize our operation processes to improve efficiency and reduce our environmental impact.

[5] Grand Gain refers to Long Nan Grand Gain Underwear Co., Ltd.

Environmental assessment is conducted by third party on regular bases to ensure our operations comply with local with applicable environmental laws, rules and regulations.

Electricity accounts to 93% of our carbon emission and we strive to reduce our energy consumption across the Group through energy efficient activities such as exchanging and gradually phasing out our clutch motors to more energy efficient servo motors to reduce energy consumption. This enhancement represents an energy savings of up to 80% over clutch motors per sewing machine; T8 fluorescent lighting tubes has been replaced by T5 reflectors lighting tubes that consumes 50% less energy per tube. We also remind employees to turn off lights, computer monitors and air conditioning if they are not in use.

Since Top Form operates in the apparel manufacturing business, our main operating waste is the generation of material scrap such as fabric and foam. We make every effort to reduce, reuse and recycle in order to minimize the impact on landfills by enhancing the utilisation rate of raw materials and sorting appropriate scrap and reuse them for cleaning.

The total non-hazardous waste by waste type and the respective handling method during the year are as follows:

Non-hazardous waste: 1,750 tonnes

Waste Type	Approximate percentage of total waste	Handling Method
Production waste (i.e. fabric and foam scraps)	72%	Collected by licensed enterprise
Carton boxes from material goods	14%	Collected by licensed enterprise
Others: Domestic waste	14%	Collected by certified enterprise for transport to landfill

Clean fabric scraps are collected and sorted, and donated to the local villagers to upcycle the scraps to floor mats and cleaning rags for their own use or sell in local markets. Operators collect fabric scraps to make small cushions. Carton boxes from material good are often re-used for other parcel deliveries, warehouse storage or scrap bins.

The hazardous waste such as empty glue barrels and hardener cans are less than 1% of our total waste and it is collected by licensed enterprise.

USE OF RESOURCES

Our key production process includes fabric lamination, heat press moulding, raw material cutting, sewing and packaging. Our operation does not consume water in significant quantities and we considered the total water consumption was minimal during the year. No polluting process, such as dyeing and enzyme washing, is involved, and we do not have programs for enhancing water efficiencies and no issue in sourcing water.

The major resource consumed during our manufacturing process is electricity, which accounts for nearly 93% of the Group's total carbon emissions. We have continued to seek alternative energy sources such as solar to reduce the reliance on purchasing electricity for our operation.

Other resources such as water, LPG, diesel and petrol are used for non-production activities such as sanitation, backup power generation, canteen operations and company vehicles.

To reduce the demand for air-conditioning, water cooling system is installed in our production floor combining large exhausted fans to help lower the temperature of the working environment by delivering cool breeze from the wet perforated curtains, and the water is pumped and circulated back within the system.

Material (including packaging) has a low priority level during the materiality assessment and the Group decided not to disclose this information.

Environmental KPI[6]

The greenhouse gas ("GHG") emissions include direct GHG emissions (Scope 1) and energy indirect GHG emissions (Scope 2). The environmental key performance indicators ("KPIs") relating to the Group's operation during the Fiscal 2019 are shown in the table below:

		Emission source	Emission item	Unit	Amount
Scope 1	GHG emissions from stationary combustion sources	LPG	CO_2	Tonnes CO_2eq	12
		Diesel oil	CO_2		10
	GHG emissions from mobile combustion sources	Diesel, Petrol	CO_2		374
			CH_4		51
			N_2O		1
	HCFC & HFC emissions for refrigeration/air-conditioning		HFC		447
Scope 2	Energy indirect emissions				9,273
Total GHG emissions					**10,168**

China and overseas facilities represents 52% and 48% of the Group total GHG emissions respectively.

	Resources	Unit	Amount
Energy consumption	Electricity	kWh in '000s	15,378
	Diesel *(mobile combustion)*		1,090
	Petrol *(mobile combustion)*		408
	LPG		53
	Diesel *(stationary combustion)*		108
	Total energy intensity	kWh/HK$ revenue	0.014

6 Our operation does not involve significant air emissions of NO_X, SO_X, N_2O, CH_4 or other pollutions to the environment and thus those figures are not disclosed in the report.

Independent auditor's report

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

OPINION

We have audited the consolidated financial statements of Top Form International Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 45 to 108, which comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS – CONTINUED

Valuation of inventories

Refer to note 16 to the consolidated financial statements and the accounting policies in note 2(f) to the financial statements.

The Key Audit Matter

At 30 June 2019, the Group's gross inventories totalled HK$199.6 million. A provision for excessive and obsolete inventories of HK$25.5 million was recorded as at year-end date against these inventories.

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

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

How the matter was addressed in our audit

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

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

KEY AUDIT MATTERS – CONTINUED

Assessing potential impairment of property, plant and equipment

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

The Key Audit Matter

In view of the loss sustained by the Group during the current year, management considered that indicators of potential impairment of property, plant and equipment existed as at 30 June 2019.

In assessing whether impairment existed at the reporting date, management determined the recoverable amount of the smallest cash generating unit ("CGU") to which these assets were allocated. The recoverable amount of a CGU is the greater of its value in use and the fair value less costs of disposal of the related assets.

In order to determine the recoverable amount of each of the CGUs for which indicators of impairment were identified, management prepared a value in use calculation using a discounted cash flow forecast.

The discounted cash flow forecasts used to assess impairment were based on a number of assumptions which required the exercise of significant management judgement, in particular in estimating future revenue, cost of direct materials, staff costs and fixed costs and the discount rate applied.

We identified assessing potential impairment of property, plant and equipment as a key audit matter because of the potential significance of any impairment charge to the results of the Group for the year and because forecasting future cash flows can be inherently subjective and require significant management judgement and estimation which increase the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of property, plant and equipment included the following:

- challenging the Group's impairment assessment model, which included assessing the impairment indicators identified by management, the identification of CGUs and the allocation of assets to each of the CGUs with reference to the requirements of the prevailing accounting standards;

- engaging our internal valuation specialists to assist us in assessing the methodology applied by management in its discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards;

- challenging the key assumptions adopted by management in the preparation of the discounted cash flow forecasts by comparing the most significant inputs in the discounted cash flow forecasts, including future revenue, cost of direct materials, staff costs and fixed costs, with the historical performance, industry reports and other available third party information;

- engaging our internal valuation specialists to assist us in assessing the discount rate applied in the discounted cash flow forecasts by referencing to available financial information of other listed companies in the same industry and considering region and CGU specific risk premiums; and

- performing a sensitivity analysis of the discount rate, revenue, cost of direct materials and staff costs in the discounted cash flow forecasts and considering the resulting impact on the impairment charge for the year and whether there were any indicators of management bias.

Independent Auditor's Report

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

27 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 $'000
Revenue	4	**1,225,402**	1,281,021
Cost of sales		**(1,027,319)**	(1,051,111)
Gross profit		**198,083**	229,910
Other net income		**14,125**	8,792
Selling and distribution expenses		**(35,669)**	(36,683)
General and administrative expenses		**(238,739)**	(187,005)
Finance costs	5	**(487)**	(307)
Share of profits of a joint venture		**3,278**	3,516
Other expenses	14	**–**	(3,141)
(Loss)/profit before taxation	6	**(59,409)**	15,082
Income tax	8	**(3,382)**	(2,735)
(Loss)/profit for the year		**(62,791)**	12,347
Attributable to:			
Equity shareholders of the Company		**(61,224)**	12,869
Non-controlling interests		**(1,567)**	(522)
(Loss)/profit for the year		**(62,791)**	12,347
(Loss)/earnings per share	10		
Basic and diluted		**HK$(0.285)**	HK$0.060

The notes on pages 52 to 108 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the loss/profit for the year are set out in note 9.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 $'000
(Loss)/profit for the year		**(62,791)**	12,347
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of provision for long service payments	22	**–**	24
Surplus on revaluation of land and buildings upon change of use to investment properties	11(b)	**57,501**	–
Deferred tax liability arising on revaluation gain on investment properties	23	**(14,376)**	–
		43,125	24
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of operations outside Hong Kong			
– subsidiaries		**1,706**	4,977
– a joint venture		**(568)**	743
Release of translation reserve upon deemed disposal of interest in a joint venture		**–**	(25)
Other comprehensive income for the year, net of income tax		**44,263**	5,719
Total comprehensive income for the year		**(18,528)**	18,066
Attributable to:			
Equity shareholders of the Company		**(16,733)**	18,501
Non-controlling interests		**(1,795)**	(435)
Total comprehensive income for the year		**(18,528)**	18,066

The notes on pages 52 to 108 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the loss/profit for the year are set out in note 9.

Consolidated Statement of Financial Position

at 30 June 2019
(Expressed in Hong Kong dollars)

	Note	**2019 $'000**	2018 $'000
Non-current assets			
Property, plant and equipment	11	**137,642**	122,352
Prepaid land lease payments	12	**1,384**	1,432
Investment properties	13	**143,017**	86,705
Deferred tax assets	23	**–**	781
Derivative financial instrument	18(c)	**2,015**	2,800
Interest in a joint venture	14	**21,066**	25,830
Prepaid rental payments and deposits	15	**1,773**	631
		306,897	240,531
Current assets			
Inventories	16	**174,099**	148,736
Trade and other receivables	17	**243,073**	222,627
Prepaid land lease payments	12	**48**	48
Current tax recoverable		**82**	500
Bank balances and cash	18(a)	**95,269**	102,616
		512,571	474,527
Current liabilities			
Trade payables and accrued charges	19	**216,236**	137,504
Unsecured bank loans	20	**40,375**	–
Obligations under finance leases	21	**66**	149
Current tax payable		**490**	1,851
		257,167	139,504
Net current assets		**255,404**	335,023

Consolidated statement of financial position

at 30 June 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 $'000
Total assets less current liabilities		**562,301**	575,554
Non-current liabilities			
Obligations under finance leases	21	**–**	62
Retirement benefit obligations	22	**1,954**	832
Deferred tax liabilities	23	**37,165**	22,198
		39,119	23,092
Net assets		**523,182**	552,462
Capital and reserves			
Share capital	25	**107,519**	107,519
Reserves		**408,013**	435,498
Equity attributable to equity shareholders of the Company		**515,532**	543,017
Non-controlling interests		**7,650**	9,445
Total equity		**523,182**	552,462

Approved and authorised for issue by the board of directors on 27 August 2019.

Wong Kai Chung, Kevin
Chief Executive Officer

Wong Kai Chi, Kenneth
Managing Director

The notes on pages 52 to 108 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2019
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders 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**
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017		107,519	1,499	233	7,139	59,765	2,832	367,033	546,020	9,880	555,900
Exchange differences arising on translation of operations outside Hong Kong (including subsidiaries and a joint venture)		–	–	–	–	–	5,633	–	5,633	87	5,720
Release of translation reserve upon deemed disposal of interest in a joint venture		–	–	–	–	–	(25)	–	(25)	–	(25)
Remeasurement of provision for long service payments		–	–	–	–	–	–	24	24	–	24
Profit for the year		–	–	–	–	–	–	12,869	12,869	(522)	12,347
Total comprehensive income for the year		–	–	–	–	–	5,608	12,893	18,501	(435)	18,066
Special dividends approved in respect of the previous year	9	–	–	–	–	–	–	(10,752)	(10,752)	–	(10,752)
Interim dividends declared in respect of the current year	9	–	–	–	–	–	–	(10,752)	(10,752)	–	(10,752)
At 30 June 2018		107,519	1,499	233	7,139	59,765	8,440	358,422	543,017	9,445	552,462
At 1 July 2018		**107,519**	**1,499**	**233**	**7,139**	**59,765**	**8,440**	**358,422**	**543,017**	**9,445**	**552,462**
Exchange differences arising on translation of operations outside Hong Kong (including subsidiaries and a joint venture)		**–**	**–**	**–**	**–**	**–**	**1,366**	**–**	**1,366**	**(228)**	**1,138**
Surplus on revaluation of land and buildings upon change of use to investment properties		**–**	**–**	**–**	**–**	**57,501**	**–**	**–**	**57,501**	**–**	**57,501**
Deferred tax liabilities arising on gain on revaluation of investment properties		**–**	**–**	**–**	**–**	**(14,376)**	**–**	**–**	**(14,376)**	**–**	**(14,376)**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(61,224)**	**(61,224)**	**(1,567)**	**(62,791)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**43,125**	**1,366**	**(61,224)**	**(16,733)**	**(1,795)**	**(18,528)**
Final dividends approved in respect of the previous year	9	**–**	**–**	**–**	**–**	**–**	**–**	**(10,752)**	**(10,752)**	**–**	**(10,752)**
At 30 June 2019		**107,519**	**1,499**	**233**	**7,139**	**102,890**	**9,806**	**286,446**	**515,532**	**7,650**	**523,182**

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

The notes on pages 52 to 108 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 $'000
Operating activities			
(Loss)/profit before taxation		**(59,409)**	15,082
Adjustments for:			
Provision/(reversal of over-provision) for long services payments	6	**1,122**	(83)
Severance payments	6	**15,566**	–
Provision for social security contributions	6	**8,041**	–
Reversal of impairment loss on trade receivables	6	**–**	(4,662)
Allowance for obsolete inventories	6	**8,050**	10,346
Interest income	6	**(1,291)**	(573)
Finance costs	5	**487**	307
Depreciation of property, plant and equipment	6	**28,147**	23,022
Release of prepaid land lease payments	6	**48**	48
Fair value loss on derivative financial instrument	6	**785**	1,513
Fair value gain on investment properties	6	**(1,125)**	–
Share of profits of a joint venture		**(3,278)**	(3,516)
Loss on deemed disposal of interest in a joint venture	14	**–**	3,141
Loss on disposal of property, plant and equipment	6	**140**	129
Operating cash (outflows)/inflows before movements in working capital		**(2,717)**	44,754
(Increase)/decrease in prepaid rental payments		**(1,114)**	333
Increase in inventories		**(33,123)**	(8,658)
Increase in trade and other receivables		**(19,788)**	(7,308)
Increase/(decrease) in trade payables and accrued charges		**54,858**	(1,757)
Cash (used in)/generated from operations		**(1,884)**	27,364
Hong Kong Profits Tax paid		**(1,073)**	(3,053)
Taxation paid in other jurisdictions		**(1,439)**	(1,659)
Net cash (used in)/generated from operating activities		**(4,396)**	22,652

The notes on pages 52 to 108 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 $'000
Investing activities			
Purchase of property, plant and equipment		**(41,465)**	(32,276)
Interest received		**1,291**	573
Proceeds from disposal of property, plant and equipment		**154**	185
Proceeds from reduction of capital in a joint venture		**7,474**	–
Net cash used in investing activities		**(32,546)**	(31,518)
Financing activities			
Capital element of finance lease rentals paid	18(b)	**(149)**	(145)
Interest element of finance lease rentals paid	18(b)	**(3)**	(4)
Interest paid	18(b)	**(248)**	–
Other bank charges		**(223)**	(285)
Proceed from new bank loans	18(b)	**40,375**	–
Dividends paid	9	**(10,752)**	(21,504)
Net cash generated from/(used in) financing activities		**29,000**	(21,938)
Net decrease in cash and cash equivalents		**(7,942)**	(30,804)
Cash and cash equivalents at beginning of the year		**102,616**	133,300
Effect of foreign exchange rate changes		**595**	120
Cash and cash equivalents at end of the year		**95,269**	102,616
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**95,269**	102,616

The notes on pages 52 to 108 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

1 GENERAL

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(a) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Details of the nature and effect of the changes to previous accounting policies are set out below:

A Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policies in notes 2(n)(i), (o) and (q).

The adoption of HKFRS 9 does not have any material impact on measurement categories for all financial assets and financial liabilities of the Group.

B Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

For further details on the Group's accounting policy for accounting for credit losses, see note 2(n)(i).

The adoption of the ECL model does not have any material impact on the financial position and the financial result of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(a) Changes in accounting policies – continued

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Details of the nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Previously, revenue from sales of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

The adoption of HKFRS 15 does not have any material impact on when the Group recognises revenue from sale of goods.

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(b) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(c) Joint venture

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

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

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

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

(d) Property, plant and equipment

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(d) Property, plant and equipment – continued

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

(e) Investment properties

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

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

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

(f) Inventories

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

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

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

(g) Leasing

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Leasing – continued

(i) The Group as lessor

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

(ii) The Group as lessee

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

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

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

Leasehold land and building

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

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

Other rental prepayments

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Foreign currencies

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

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

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

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

(i) Borrowing costs

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

(j) Employee benefits

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(k) Termination benefits

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

(l) Taxation

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Taxation – continued

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

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

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

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

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

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

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

(m) Derivative financial instrument

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 July 2018

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

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

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Credit losses and impairment of assets – continued

(i) Credit losses from financial instruments – continued

(A) Policy applicable from 1 July 2018 – continued

Significant increases in credit risk

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

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

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

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

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

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

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

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

Write-off policy

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Credit losses and impairment of assets – continued

(i) Credit losses from financial instruments – continued

(B) Policy applicable prior to 1 July 2018

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

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty;

– breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Credit losses and impairment of assets – continued

(ii) Impairment of other non-current assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries and a joint venture in the Company's statement of financial position.

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Trade and other receivables

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

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

(p) Interest-bearing borrowings

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

(q) Cash and cash equivalents

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

(r) Trade and other payables

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

(s) Provisions and contingent liabilities

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(t) Revenue and other income

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

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

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

(i) Sale of goods

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

Revenue from sales of goods was recognised on a similar basis in the comparative period under HKAS 18.

(ii) Rental income from operating leases

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

(iii) Interest income

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

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(u) Related parties – continued

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

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

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

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

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

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

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

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

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

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

(v) Segment reporting

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

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

3 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Allowance of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories or that the inventories have no further use. The Group has a concentration of risk with the top five customers domiciled in the United States of America ("USA") and Europe comprising 87% (2018: 82%) of the Group's total revenue. Any further adverse changes in the economic environment of the USA and Europe 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 gross amount of inventories as at 30 June 2019 was approximately $199,631,000 (2018: $180,295,000) and the allowance of inventories was $25,532,000 (2018: $31,559,000).

(b) Impairment of property, plant and equipment

As at 30 June 2019, the aggregate carrying amount of the Group's property, plant and equipment is $137,642,000 (2018: $122,352,000). The Group performs annual impairment assessment on the carrying amount of property, plant and equipment when indication of impairment is identified to determine whether there is objective evidence of impairment. The recoverable amount is the higher of fair value less costs of disposal and its value in use. The management determines the recoverable amount of the relevant cash generating unit ("CGU") based on the basis of the value in use calculation which requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate. Where the future cash flows are less or more than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment loss or reversal of impairment loss may arise.

(c) Depreciation

The Group's property, plant and equipment are depreciated using the straight-line method over their estimated useful lives as outlined in note 11 of the financial statements.

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

4 REVENUE AND SEGMENT INFORMATION

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

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

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

All the Group's segment assets and liabilities are under the only reportable segment as at 30 June 2019 and 2018.

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

4 REVENUE AND SEGMENT INFORMATION – continued

(a) Geographical information

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

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Hong Kong	**16,408**	19,802	**9,026**	9,541
USA	**823,054**	813,948	**–**	–
Belgium	**102,807**	104,115	**–**	–
The Netherlands	**38,403**	71,280	**–**	–
Spain	**33,705**	48,805	**–**	–
France	**40,773**	43,226	**–**	–
Sri Lanka	**45,042**	31,894	**–**	–
Canada	**45,712**	16,578	**–**	–
The People's Republic of China ("PRC")	**20,230**	29,441	**215,783**	163,101
Germany	**25,826**	29,208	**–**	–
Italy	**3,376**	17,600	**–**	–
Mexico	**9,588**	17,328	**–**	–
Thailand	**–**	13	**76,578**	60,492
Cambodia	**–**	–	**3,495**	3,816
Others	**20,478**	37,783	**–**	–
	1,225,402	1,281,021	**304,882**	236,950

(b) Information about major customers

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

	2019	2018
	$'000	$'000
Customer A	**548,364**	624,357
Customer B	**217,345**	74,391
Customer C	**119,175**	154,522

5 FINANCE COSTS

	2019 $'000	2018 $'000
Interest expense on bank borrowings	**248**	–
Finance charges on obligations under finance lease	**16**	22
Other bank charges	**223**	285
	487	307

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging/(crediting):

	2019 $'000	2018 $'000
Auditors' remuneration	**2,075**	2,034
Depreciation of property, plant and equipment	**28,147**	23,022
Provision/(reversal of over-provision) for long services payments	**1,122**	(83)
Severance payments	**15,566**	–
Provision for social security contributions	**8,041**	–
Reversal of impairment loss on trade receivables	**–**	(4,662)
Allowance for obsolete inventories (included in cost of sales)	**8,050**	10,346
Release of prepaid land lease payments	**48**	48
Loss on disposal of property, plant and equipment	**140**	129
Minimum lease payments paid under operating leases in respect of land and buildings (note a)	**20,819**	18,212
Cost of inventories recognised as an expense	**1,019,269**	1,040,765
Net exchange gain	**(6,150)**	(131)
Staff costs, including directors' emoluments (note b)	**516,052**	482,622
Interest income	**(1,291)**	(573)
Fair value loss on derivative financial instrument	**785**	1,513
Fair value gain on investment properties	**(1,125)**	–
Gross rental income from investment properties	**(7,019)**	(3,641)

Notes:

(a) Included in the amount are operating lease rentals of $1,669,000 (2018: $1,687,000) in respect of staff quarters.

(b) Details of directors' emoluments included in staff costs are disclosed in note 7. Staff costs included amounts in respect of defined contribution retirement benefit schemes contributions of $32,966,000 (2018: $26,915,000).

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

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

	2019 **$'000**	2018 $'000
Fees to Non-executive Directors	**1,467**	1,600
Remuneration to Executive Directors:		
– Salaries and other benefits	**8,812**	8,688
– Retirement benefit scheme contributions	**54**	54
Total Directors' emoluments	**10,333**	10,342

	For the year ended 30 June 2019			
	Fees **$'000**	**Salaries and other benefits** **$'000**	**Retirement benefit scheme contributions** **$'000**	**Total** **$'000**
Wong Chung Chong	**–**	**3,412**	**18**	**3,430**
Wong Kai Chung, Kevin	**–**	**2,700**	**18**	**2,718**
Wong Kai Chi, Kenneth	**–**	**2,700**	**18**	**2,718**
Fung Wai Yiu	**200**	**–**	**–**	**200**
Lucas A.M. Laureys	**200**	**–**	**–**	**200**
Herman Van de Velde	**200**	**–**	**–**	**200**
Chow Yu Chun, Alexander	**200**	**–**	**–**	**200**
Leung Churk Yin, Jeanny	**200**	**–**	**–**	**200**
Leung Ying Wah, Lambert	**200**	**–**	**–**	**200**
Lin Sun Mo, Willy	**200**	**–**	**–**	**200**
Marvin Bienenfeld (Retired on 31 October 2018)	**67**	**–**	**–**	**67**
	1,467	**8,812**	**54**	**10,333**

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

(a) Directors – continued

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

None of the Directors waived any emoluments during either year.

(b) Employees

Of the five individuals with the highest emoluments in the Group, three (2018: three) were Directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining two (2018: two) individuals were as follows:

	2019 $'000	2018 $'000
Salaries and other benefits	**3,728**	3,503
Discretionary bonus	**1,351**	1,596
Retirement benefit scheme contributions	**30**	27
	5,109	5,126

The emoluments were within the following bands:

	Number of individuals	
	2019	2018
$2,000,001 – $2,500,000	**1**	1
$2,500,001 – $3,000,000	**1**	1
	2	2

8 INCOME TAX

	2019 $'000	2018 $'000
Current tax:		
Hong Kong	**92**	1,716
Other jurisdictions	**1,261**	1,303
	1,353	3,019
Withholding tax on dividend income:		
Other jurisdictions	**357**	–
Over-provision of current tax in prior years:		
Hong Kong	**(289)**	(71)
Other jurisdictions	**(297)**	–
	(586)	(71)
Deferred taxation (note 23)		
Origination and reversal of temporary differences	**2,258**	(213)
	3,382	2,735

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first $2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

Accordingly, the provision for Hong Kong Profits Tax for the year ended 30 June 2019 is calculated in accordance with the two-tiered profits tax rate regime (2018: a single tax rate of 16.5% was applied).

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

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

8 INCOME TAX – CONTINUED

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

	2019 $'000	2018 $'000
(Loss)/profit before taxation	(59,409)	15,082
Tax at the Hong Kong Profits Tax rates	(9,803)	2,489
Tax effect of expenses not deductible for tax purposes	706	1,521
Tax effect of income not taxable for tax purposes	(1,094)	(1,307)
Tax effect of tax losses not recognised	13,300	3,580
Tax effect of utilisation of tax losses previously not recognised	(1,743)	(2,058)
Tax effect of tax losses previously not recognised but recognised in current year	–	(1,180)
Tax effect of reversal of tax losses previously recognised	1,180	–
Tax effect of temporary differences not recognised	149	(999)
Over-provision in prior years	(586)	(71)
Effect of different tax rates of subsidiaries operating in other jurisdictions	916	760
Withholding tax in subsidiaries operating in other jurisdictions	357	–
Income tax for the year	3,382	2,735

9 DIVIDENDS

	2019 $'000	2018 $'000
Dividends recognised as distribution during the year:		
2017 special dividend of $0.05 per share	–	10,752
2018 interim dividend of $0.05 per share	–	10,752
2018 final dividend of $0.05 per share	**10,752**	–
	10,752	21,504
Dividends proposed after the end of the reporting period:		
2019 final dividend of $Nil per share (2018: 2018 final dividend of $0.05 per share)	–	10,752

The Board has resolved not to declare a final dividend for the year ended 30 June 2019.

10 (LOSS)/EARNINGS PER SHARE

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

	2019 $'000	2018 $'000
(Loss)/profit attributable to equity shareholders of the Company for the purpose of computing basic (loss)/earnings per share	**(61,224)**	12,869

	Number of shares 2019	2018
Number of ordinary shares for the purpose of computing basic (loss)/earnings per share	**215,037,625**	215,037,625

There are no dilutive potential ordinary shares throughout the years presented.

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Land and buildings $'000	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost:							
At 1 July 2017	5,067	79,364	82,546	303,706	10,614	21	481,318
Currency realignment	153	660	312	2,277	33	1	3,436
Additions	–	2,286	3,794	25,640	484	72	32,276
Disposals/write-off	–	–	–	(5,097)	(131)	–	(5,228)
Reclassification	–	–	–	22	–	(22)	–
At 30 June 2018	5,220	82,310	86,652	326,548	11,000	72	511,802
At 1 July 2018	5,220	82,310	86,652	326,548	11,000	72	511,802
Currency realignment	390	2,155	897	4,832	117	5	8,396
Additions	–	1,976	6,488	26,395	–	6,606	41,465
Disposals/write-off	–	–	(3,715)	(23,737)	(1,182)	–	(28,634)
Reclassification	–	846	(769)	–	–	(77)	–
Transfer from land and buildings to investment properties (note 11(b))	–	(59,786)	–	–	–	–	(59,786)
Surplus on revaluation	–	57,501	–	–	–	–	57,501
At 30 June 2019	5,610	85,002	89,553	334,038	9,935	6,606	530,744
Depreciation and impairment:							
At 1 July 2017	–	46,739	67,761	246,630	8,566	–	369,696
Currency realignment	–	107	225	1,300	14	–	1,646
Charge for the year	–	4,066	4,885	13,128	943	–	23,022
Eliminated on disposals/write-off	–	–	–	(4,783)	(131)	–	(4,914)
At 30 June 2018	–	50,912	72,871	256,275	9,392	–	389,450
At 1 July 2018	–	50,912	72,871	256,275	9,392	–	389,450
Currency realignment	–	803	879	3,118	97	–	4,897
Charge for the year	–	4,146	8,452	14,869	680	–	28,147
Eliminated on disposals/write-off	–	–	(3,489)	(23,667)	(1,184)	–	(28,340)
Transfer from land and buildings to investment properties (note 11(b))	–	(1,052)	–	–	–	–	(1,052)
At 30 June 2019	–	54,809	78,713	250,595	8,985	–	393,102
Net book value:							
At 30 June 2019	5,610	30,193	10,840	83,443	950	6,606	137,642
At 30 June 2018	5,220	31,398	13,781	70,273	1,608	72	122,352

11 PROPERTY, PLANT AND EQUIPMENT – continued

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

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

Notes:

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

	2019 $'000	2018 $'000
Land and buildings outside Hong Kong:		
– Long-term lease	**2,787**	2,910
– Medium-term lease	**27,400**	28,482
Land and buildings in Hong Kong under medium-term lease	**6**	6
Freehold land outside Hong Kong	**5,610**	5,220
	35,803	36,618

(b) Transfer from land and buildings to investment properties

During the year ended 30 June 2019, due to the change of use, part of the Group's land and buildings with net book value of $1,233,000 was transferred to investment properties. Upon the date of transfer, the fair value was determined by directors with reference to the professional valuations using income approach and are categorised as Level 3 fair value measurement as defined in HKFRS 13, *Fair value measurement*. As a result, revaluation surplus of $57,501,000 was recognised in other comprehensive income.

12 PREPAID LAND LEASE PAYMENTS

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

	2019 $'000	2018 $'000
Analysed for reporting purposes as:		
Current asset	**48**	48
Non-current asset	**1,384**	1,432
	1,432	1,480
The Group's prepaid land lease payments comprise:		
Leasehold land outside Hong Kong:		
– Medium-term lease	**1,432**	1,480

13 INVESTMENT PROPERTIES

	2019 $'000	2018 $'000
Fair value		
At beginning of the year	**86,705**	84,180
Currency realignment	**(3,547)**	2,525
Transfer from land and buildings to investment properties (note 11(b))	**58,734**	–
Fair value gain on investment properties	**1,125**	–
At end of the year	**143,017**	86,705

The fair value of the Group's investment properties at 30 June 2019 have been arrived at on the basis of a valuation carried out on the respective dates by AVISTA Group, an independent qualified professional valuer not connected with the Group. The valuation was arrived at using the investment approach by taking into account the current passing rents of the properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenant.

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

Investment properties shown above amounted to $143,017,000 (2018: $86,705,000) are situated on land outside of Hong Kong on medium-term lease.

Fair value hierarchy

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

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

13 INVESTMENT PROPERTIES – CONTINUED

Fair value hierarchy – continued

	Fair value at 30 June 2019 $'000	Fair value measurements as at 30 June 2019 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Investment properties:				
– Industrial – PRC	**131,600**	**–**	**–**	**131,600**
– Residential – PRC	**11,417**	**–**	**–**	**11,417**

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

(Expressed in Hong Kong dollars)

13 INVESTMENT PROPERTIES – CONTINUED

Information about Level 3 fair value measurements

	Unobservable input – Capitalisation rate		Unobservable input – Reversionary potential monthly rent per square meter	
	Range	Weighted average	Range	Weighted average
Investment properties as at 30 June 2019				
– Industrial – PRC	**1.75% to 2.25%**	**1.85%**	**RMB80.0 to RMB84.5**	**RMB81.7**
– Residential – PRC	**1.5% to 2.0%**	**1.64%**	**RMB80.9 to RMB86.9**	**RMB84.7**
Investment properties as at 30 June 2018				
– Industrial – PRC	2.5% to 3.0%	2.72%	RMB78.0 to RMB81.3	RMB80.0
– Residential – PRC	2.5% to 2.8%	2.54%	RMB78.6 to RMB82.9	RMB80.2

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

13 INVESTMENT PROPERTIES – continued

Information about Level 3 fair value measurements – continued

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

	Investment properties – industrial – PRC $'000	Investment properties – residential – PRC $'000	Total $'000
At 1 July 2017	72,450	11,730	84,180
Fair value adjustment	1,066	(1,066)	–
Currency realignment	2,173	352	2,525
At 30 June 2018	75,689	11,016	86,705
At 1 July 2018	**75,689**	**11,016**	**86,705**
Transfer from land and buildings to investment properties (note 11(b))	**58,734**	**–**	**58,734**
Fair value adjustment	**272**	**853**	**1,125**
Currency realignment	**(3,095)**	**(452)**	**(3,547)**
At 30 June 2019	**131,600**	**11,417**	**143,017**

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

(Expressed in Hong Kong dollars)

14 INTEREST IN A JOINT VENTURE

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

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

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

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

Based on the audited financial results of Charming Group as of 30 June 2017, the pre-agreed performance targets for Charming were met. As such, New Horizon subscribed for 71,089 new shares issued by Charming on 27 December 2017. As a result, New Horizon's shareholding in Charming increased from 40% to 51%, while the Group's shareholding in Charming diluted from 60% to 49% and a loss on deemed disposal of interest in a joint venture of $3,141,000 was recognised by the Group in "Other expenses" for the year ended 30 June 2018.

Under the Shareholders' Agreement, the substantive operating and financing decisions related to Charming are under the joint control by the Group and New Horizon when the Group's shareholding in Charming is 20% or above. As a result, the Group continues to account for its interest in Charming as a joint venture both in 2018 and 2019.

14 INTEREST IN A JOINT VENTURE – continued

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

	2019 $'000	2018 $'000
Gross amounts of Charming's		
Current assets	**26,404**	33,221
Non-current assets	**20,883**	23,701
Current liabilities	**(7,474)**	(8,231)
Equity	**(39,813)**	(48,691)
Included in the above assets and liabilities:		
Cash and cash equivalents	**3,264**	4,705
Current financial liabilities (excluding trade and other payables and provisions)	**(725)**	(703)
Revenue	**73,920**	83,587
Profit from continuing operations after tax	**6,689**	5,862
Other comprehensive income	**(1,159)**	2,280
Total comprehensive income	**5,530**	8,142
Included in the above profit:		
Depreciation and amortisation	**3,107**	3,273
Interest expense	**6**	8
Reconciled to the Group's interest in Charming		
Gross amounts of Charming's net assets	**39,813**	48,691
Group's effective interest	**49%**	49%
Group's share of Charming's net assets	**19,508**	23,859
Disproportionate share of undistributed profits (Note)	**1,558**	1,971
Carrying amount in the consolidated financial statements	**21,066**	25,830

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

15 PREPAID RENTAL PAYMENTS AND DEPOSITS

At 30 June 2019, prepaid rental payments and deposit represented the prepaid rent for factories in Thailand for fifteen years until June 2024 and the refundable deposit paid for the office in Hong Kong until October 2024. The current portion of $361,000 (2018: $333,000) is included in trade and other receivables.

16 INVENTORIES

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

	2019 $'000	2018 $'000
Raw materials	57,485	59,818
Work in progress	44,309	41,089
Finished goods	72,305	47,829
	174,099	148,736

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

	2019 $'000	2018 $'000
Carrying amount of inventories sold	1,019,269	1,040,765
Allowance for obsolete inventories	8,050	10,346
	1,027,319	1,051,111

17 TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Trade receivables	208,369	196,814
Other receivables	34,704	25,813
	243,073	222,627

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

Ageing analysis

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

	2019 $'000	2018 $'000
1 – 90 days	192,189	192,413
91 – 180 days	16,180	4,401
	208,369	196,814

Trade receivables are due within 10 days to 90 days from the date of billing. Details on the Group's credit policy are set out in note 24(b)(ii).

18 OTHER FINANCIAL ASSETS

(a) Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.001% to 4% (2018: 0.001% to 2.1%) per annum.

(b) Reconciliation of liabilities arising from financing activities

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

	Unsecured bank loans $'000 (Note 20)	Obligations under finance leases $'000 (Note 21)
At 1 July 2018	–	**211**
Changes from financing cash flows:		
Proceeds from new bank loans	**40,375**	–
Interest paid	**(248)**	–
Capital element of finance lease rentals paid	–	**(149)**
Interest element of finance lease rentals paid	–	**(3)**
Total changes from financing cash flows	**40,127**	**(152)**
Exchange adjustments	–	**(9)**
Other changes:		
Interest expense on bank borrowings (note 5)	**248**	–
Finance lease on obligations under finance leases (note 5)	–	**16**
Total other changes	**248**	**16**
At 30 June 2019	**40,375**	**66**

18 OTHER FINANCIAL ASSETS – CONTINUED

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

	Unsecured bank loans $'000 (Note 20)	Obligations under finance leases $'000 (Note 21)
At 1 July 2017	–	350
Changes from financing cash flows:		
Capital element of finance lease rentals paid	–	(145)
Interest element of finance lease rentals paid	–	(4)
Total changes from financing cash flows	–	(149)
Exchange adjustments	–	(12)
Other changes:		
Finance lease on obligations under finance leases (note 5)	–	22
At 30 June 2018	–	211

(c) Derivative financial instrument

Pursuant to the Shareholders' Agreement mentioned in note 14, the Group is entitled the right to exercise its option ("the Exit Option") to require New Horizon to buy out all or part of the issued shares of Charming held by the Group at any time during the period of two years from 1 July 2020 to 30 June 2022 at a price set out in the Shareholders' Agreement. The Exit Option is recognised as a derivative financial instrument at fair value through profit or loss. The loss on fair value change of such Exit Option of $785,000 for the year (2018: $1,513,000) is recognised in profit or loss.

19 TRADE PAYABLES AND ACCRUED CHARGES

	2019 $'000	2018 $'000
Trade payables	**123,350**	74,951
Other payables and accrued charges	**92,886**	62,553
	216,236	137,504

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

19 TRADE PAYABLES AND ACCRUED CHARGES – CONTINUED

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

	2019 **$'000**	2018 $'000
Current	**105,355**	71,370
1 – 30 days past due	**13,796**	3,135
31 – 60 days past due	**1,863**	294
Over 60 days past due	**2,336**	152
	123,350	74,951

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

Other payables and accrued charges mainly represented accrued freight charges, salaries and other operating expenses. Included in other payables and accrued charges is a provision for social security contributions of $8,041,000 (2018: $Nil).

20 UNSECURED BANK LOANS

At 30 June 2019 and 2018, the unsecured bank loans were repayable as follows:

	2019 **$'000**	2018 $'000
Within one year or on demand	**40,375**	–

At 30 June 2019, the Company provided guarantee for bank loans of certain subsidiaries. Such banking facilities amounted to $110,000,000 (2018: $110,000,000). The facilities were utilised to the extent of $40,375,000 (2018: $Nil).

All of the Group's bank loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 24(b)(iii). As at 30 June 2019, none of the covenants relating to drawn down facilities had been breached (2018: $Nil).

At 30 June 2019, the Group's effective interest rate per annum was 3.11%.

21 OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2019, the Group had obligations under finance leases repayable as follows:

	2019	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**
Within 1 year	**66**	**71**
Less: total future interest expenses		**(5)**
Present value of lease obligations		**66**

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

22 RETIREMENT BENEFIT SCHEMES

	2019 **$'000**	2018 $'000
At the beginning of the year	**832**	939
Provision/(reversal of provision) recognised in profit or loss	**1,122**	(83)
Remeasurement of provision recognised in other comprehensive income	**–**	(24)
At the end of the year	**1,954**	832

According to Part VB of the Hong Kong Employment Ordinance ("the Ordinance"), the Company is liable to make long service payment to employees who are employed under the jurisdiction of the Ordinance and have completed the required number of years of service on termination of their employment, where the termination of employment meets the required circumstances as specified in the Ordinance.

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

(a) Provision for long service payments

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

(b) Defined contribution schemes

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

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

The total cost charged to consolidated statement of profit or loss of $32,966,000 (2018: $26,915,000) 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:

	2019 **$'000**	2018 $'000
Net deferred tax asset recognised in the consolidated statement of financial position	**–**	781
Net deferred tax liability recognised in the consolidated statement of financial position	**(37,165)**	(22,198)
	(37,165)	(21,417)

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

	Depreciation in excess of the related depreciation allowance $'000	**Revaluation of properties** $'000	**Unrealised loss on inventories** $'000	**Tax loss** $'000	**Total** $'000
At 1 July 2017	70	20,721	208	–	20,999
Charged/(credited) to profit or loss	329	–	638	(1,180)	(213)
Currency realignment	–	631	–	–	631
At 30 June 2018 and 1 July 2018	399	21,352	846	(1,180)	21,417
(Credited)/charged to profit or loss	(399)	280	1,197	1,180	2,258
Currency realignment	–	(886)	–	–	(886)
Charged to other comprehensive income	–	14,376	–	–	14,376
At 30 June 2019	–	35,122	2,043	–	37,165

At the end of the reporting period, the Group has unused tax losses of $137,903,000 (2018: $78,578,000) available for offset against future profits which no deferred tax asset has been recognised due to the unpredictability of future profit streams. During the year, tax losses of $10,450,000 (2018: $9,570,000) expired and were no longer available to offset against future profits. Included in unrecognised tax losses of the Group are losses of $44,763,000 (2018: $23,071,000), $222,000 (2018: $5,531,000) and $3,985,000 (2018: $18,701,000) attributable to subsidiaries in the PRC, Thailand and Cambodia respectively, that will gradually expire up to 2023. The unrecognised tax losses relating to subsidiaries in Hong Kong were $88,933,000 (2018: $31,275,000) and do not expire under current tax legislation.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was $23,178,000 (2018: $24,759,000). No liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 $'000	2018 $'000
Financial assets		
Derivative financial instrument – Fair value through profit or loss	**2,015**	2,800
Trade and other receivables (including bank balances and cash) – Amortised cost	**320,835**	309,392
	322,850	312,192
Financial liabilities		
Trade payables and accrued charges – Amortised cost	**216,236**	137,504
Unsecured bank loans	**40,375**	–
	256,611	137,504

(b) Financial risk management objectives and policies

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

(i) Market risk

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

(1) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 12% (2018: 11%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, while almost 76% (2018: 75%) 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

(b) Financial risk management objectives and policies – continued

(i) Market risk – continued

(1) Currency risk – continued

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

	Assets		Liabilities	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Renminbi ("RMB")	**33,047**	25,949	**7,963**	673
USD	**16,172**	17,836	**–**	–
HK$	**2,387**	3,013	**74,233**	46,462

The above assets and liabilities include trade receivables, other receivables, trade payables, other payables, bank balances and cash denominated in RMB, USD and HK$. In addition, the Group is exposed to currency risk arising from inter-company receivables and payables denominated in Thai Baht ("THB") which is not the functional currency of the borrower entity to which they related. The net inter-company receivable amounted to $13,874,000 (2018: payable of $23,037,000) as at 30 June 2019.

Sensitivity analysis

The Group is mainly exposed to fluctuations in exchange rates of RMB, USD, THB 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% (2018: 5%) increase and decrease in functional currency against the relevant foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. The sensitivity analysis includes external receivables and payables and also current accounts with the group entities where the denomination of the current accounts is in a currency other than the functional currency of the relevant group entities. A positive number below indicates an increase in post-tax profit or a decrease in post-tax loss for the year where functional currencies of relevant group entities strengthens 5% (2018: 5%) against the relevant foreign currencies. For a 5% (2018: 5%) weakening of functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss (2018: profit) for the year.

	2019 Change in post-tax loss and retained profits $'000	2018 Change in post-tax profit and retained profits $'000
RMB	**(6,417)**	(2,733)
THB	**(579)**	962

24 FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

(i) Market risk – continued

(2) Interest rate risk

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

Interest rate profile

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

	Note	**2019** Effective interest rate %	**2019** Amount HK$'000	2018 Effective interest rate %	2018 Amount HK$'000
Variable rate borrowings:					
Unsecured Bank loans	20	**3.11**	**40,375**	–	–

Sensitivity analysis

At 30 June 2019 it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and decreased/increased retained profits by approximately $404,000 (2018: Nil). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

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

(ii) Credit risk

As at 30 June 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In respect of trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Therefore, the Directors of the Company consider that the Group's credit risk is minimised and ECL allowance is considered insignificant.

24 FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

(ii) Credit risk– continued

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the market demand in the intimate apparel industry and economic conditions in the USA and Europe. At the end of the reporting period, the Group had a certain concentration risk as approximately 94% (2018: 93%) of trade receivables was due from the top five major customers.

Comparative information under HKAS 39

Prior to 1 July 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(n)(i) – policy applicable prior to 1 July 2018). At 30 June 2018, no trade receivables were individually determined to be impaired.

(iii) Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. At 30 June 2019, the Group had undrawn bank borrowing facilities of $69,625,000 (2018: $110,000,000).

Liquidity tables

	On demand or less than 1 month $'000	1 to 3 months $'000	Over 3 months $'000	Total undiscounted cash flows $'000	Carrying amount at 30 June $'000
2019					
Non-derivative financial liabilities					
Trade payables and accrued charges					
– Amortised cost	**141,227**	**35,503**	**34,348**	**211,078**	**211,078**
Unsecured bank loans	**40,375**	**–**	**–**	**40,375**	**40,375**
2018					
Non-derivative financial liabilities					
Trade payables and accrued charges					
– Amortised cost	135,404	2,100	–	137,504	137,504

(Expressed in Hong Kong dollars)

24 FINANCIAL INSTRUMENTS – CONTINUED

(c) Fair value

(i) Financial assets measured at fair value

Fair value hierarchy

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

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

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

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

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average
Derivative financial instrument	Monte Carlo model	Discount for lack of marketability	25% (2018: 25%)
		Weighted average cost of capital ("WACC")	17.2% (2018: 17.3%)
		Expected volatility	29.64% (2018: 32.40%)

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

24 FINANCIAL INSTRUMENTS – CONTINUED

(c) Fair value – continued

(i) Financial assets measured at fair value – continued

Information about Level 3 fair value measurements – continued

As at 30 June 2019, it is estimated that with all other variables held constant, a decrease/increase in:

– Discount for lack of marketability by 5% would have increased/decreased the Group's loss after tax and total comprehensive income by $358,000/$455,000;

– Weighted Average Cost of Capital by 3% would have increased/decreased the Group's loss after tax and total comprehensive income by $615,000/$774,000; and

– Expected volatility by 10% would have increased/decreased the Group's loss after tax and total comprehensive income by $370,000/$444,000.

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

	HK$'000
Derivative financial instrument:	
At 1 July 2017	4,313
Changes in fair value recognised in profit or loss during the year	(1,513)
At 30 June 2018	2,800
At 1 July 2018	2,800
Changes in fair value recognised in profit or loss during the year	(785)
At 30 June 2019	2,015

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 30 June 2018.

25 SHARE CAPITAL

Authorised and issued share capital

	2019		2018	
	No. of shares	**Amount $'000**	No. of shares	Amount $'000
Ordinary shares of $0.50 (2018: $0.50) each				
Authorised:				
At beginning of the year and the end of the year	**300,000,000**	**150,000**	300,000,000	150,000
Issued and fully paid:				
At beginning of the year and the end of the year	**215,037,625**	**107,519**	215,037,625	107,519

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

26 SHARE OPTION SCHEME

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

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

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

During the years ended 30 June 2019 and 2018, no share options of the Company were held by the Directors or anyone else under the Scheme, and no share options were granted, exercised, cancelled or lapsed under the Scheme.

27 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

	2019 **$'000**	2018 $'000
Within one year	**18,913**	15,801
In the second to fifth year inclusive	**29,089**	18,062
Over five years	**1,672**	1,062
	49,674	34,925

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

(b) The Group as lessor

Property rental income earned during the year was $7,019,000 (2018: $3,641,000). All of the properties held have committed tenants for the next 1 to 5 years.

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

	2019 **$'000**	2018 $'000
Within one year	**9,169**	3,126
In the second to fifth year inclusive	**27,133**	11,356
Over five years	**–**	313
	36,302	14,795

28 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2019 not provided for in the financial statements were as follows:

	2019 **$'000**	2018 $'000
Contracted for	**151**	–

29 RELATED PARTY TRANSACTIONS/BALANCES

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

(a) Transactions with related companies

	2019 $'000	2018 $'000
Sales of goods to a related party	**102,807**	103,940

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 $102,807,000 (2018: $103,940,000).

Mr. Herman Van de Velde, a non-executive director of the Company, has a beneficial interest in VdV, which held an interest of 25.66% (2018: 25.66%) in the Company as at 30 June 2019.

As at 30 June 2019, the balance of trade receivables from VdV amounted to $3,493,000 (2018: $5,091,000) which are aged less than 30 days.

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

(b) Compensation of key management personnel

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

	2019 $'000	2018 $'000
Salaries and other benefits	**20,505**	20,683
Retirement benefits scheme contributions	**126**	135
	20,631	20,818

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 the prior year.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2019 are as follows:

Name of company	Place of incorporation/ registration	Issued share capital/ registered capital	Proportion of issued ordinary share capital/ registered capital held directly/indirectly by the Company %	Principal activities
Foshan Nanhai Top Form Underwear Co., Ltd.# 佛山市南海黛麗斯內衣有限公司	The PRC	Capital contribution – $20,800,000	100	Manufacture of ladies' underwear
Foshan Nanhai Meritlux Underwear Co., Ltd.# 佛山市南海漫多姿內衣有限公司	The PRC	Capital contribution – US$500,000	100	Manufacture of ladies' underwear
Grand Gain Industrial Limited 建盈實業有限公司	Hong Kong	Ordinary – $100,000	60	Moulding and laminating business
Juliana Consulting Service (Shenzhen) Co. Ltd.# 茱莉安娜咨詢服務（深圳）有限公司	The PRC	Capital contribution – $8,000,000	100	Provision of consultancy services in relation to ladies intimate apparel and accessories
Long Nan Grand Gain Underwear Co., Ltd.# 龍南縣建盈內衣有限公司	The PRC	Capital contribution – US$1,800,000	60	Moulding and laminating business
Long Nan County Top Form Underwear Co., Ltd.# 龍南縣黛麗斯內衣有限公司	The PRC	Capital contribution – $57,000,000	100	Manufacture of ladies' underwear
Marguerite Lee Limited	Hong Kong	Ordinary – $250,000	100	Trading of ladies' underwear
Meritlux Garment (Shenzhen) Co., Ltd# 漫多姿服裝 (深圳) 有限公司	The PRC	Capital contribution – $23,000,000	100	Manufacture and trading of ladies' underwear
Shenzhen Top Form Underwear Co., Limited^ 深圳黛麗斯內衣有限公司	The PRC	Capital contribution – RMB4,993,000	70	Property investment and provision of consultancy services in relation to ladies intimate apparel and accessories
Top Form Brassiere Mfg. Co., Limited 黛麗斯胸圍製造廠有限公司	Hong Kong	Ordinary – $100 Deferred – $4,000,000	100	Manufacture and trading of ladies' underwear
Top Form (B.V.I.) Limited*	British Virgin Islands	Ordinary – US$50,000	100	Investment holding

(Expressed in Hong Kong dollars)

31 PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Issued share capital/ registered capital	Proportion of issued ordinary share capital/ registered capital held directly/indirectly by the Company %	Principal activities
Top Form Brassiere (Maesot) Co., Ltd	Thailand	Ordinary – Baht56,000,000	100	Manufacture of ladies' underwear
Topfull Development Limited 統富發展有限公司	Hong Kong	Ordinary – $2	100	Property holding in the PRC
Unique Form Manufacturing Company Limited 特麗儂內衣製造廠有限公司	Hong Kong	Ordinary – $1,000 Deferred – $200	100	Trading of ladies' underwear
Xinfeng County Grand Gain Underwear Co., Ltd.# 信豐縣建盈內衣有限公司	The PRC	Capital contribution – US$500,000	100	Manufacture of ladies' underwear
Top Form (Cambodia) Company Limited	Cambodia	Ordinary – US$1,000,000	100	Manufacture of ladies' underwear

* Directly held by the Company

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

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

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

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

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. The Group entered into extension agreements with the joint venture partner on 18 September 1998, 12 November 2008, 27 June 2011, 6 February 2015 and 28 February 2017 to extend the joint venture period for future years to 28 February 2009, 28 February 2012, 28 February 2015, 28 February 2017 and 28 February 2022 respectively. Pursuant to the joint venture agreement and the revised joint venture agreement under which the joint venture was established, the Group contributed 70% of the registered capital of SZTF. However, under another agreement entered into between the Group and the joint venture partner, the Group is entitled to 100% of this joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the joint venture partner. The Group is entitled to receive its attributable share of the net assets upon liquidation of the joint venture, and so this joint venture is being accounted for as a subsidiary of the Group.

As at 30 June 2019, for Top Form Brassiere Mfg. Co., Limited and Unique Form Manufacturing Company Limited, the deferred shares carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies. On winding-up, the holders of the deferred shares are entitled to one half of the remaining assets of the respective companies after the first $100 trillion has been distributed equally amongst the holders of the ordinary shares.

None of the subsidiaries had any debt securities subsisting as at 30 June 2019 or at any time during the year.

32 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 20 August 2019, Top Form Brassiere Mfg. Co., Limited ("TFB"), an indirect wholly-owned subsidiary of the Company, Hong Kong Tak Fung Holdings Limited (the "JV Partner") and Goal Plus Investment Limited, a direct wholly-owned subsidiary of TFB (the "JV Company") entered in to a joint venture agreement (the "JV Agreement") in relation to formation and management of a joint venture pursuant to which the JV Company will incorporate a wholly-owned subsidiary in Thailand that will principally engage in manufacturing of seamless products.

As at the date of the JV Agreement, the issued share capital of the JV Company is US$100 for 100 ordinary shares, which owned as to 100% by TFB. Pursuant to the JV Agreement, additional investment to the JV Company shall be US$4,999,900, of which US$2,999,900 and US$2,000,000 will be contributed by TFB and the JV Partner respectively in cash. Upon completion, the JV Company will be owned as to 60% by TFB and as to 40% by the JV Partner. More details can be found in the announcement of the Company dated 20 August 2019.

Other than the event disclosed above, the Group had no other material non-adjusting event after the reporting period.

33 COMPARATIVE FIGURES

Certain sales and merchandising staff cost of $13,666,000 incurred for the year ended 30 June 2018 has been reclassified from general and administrative expenses to selling and distribution expenses to conform to the current year's presentation.

34 FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	2019 $'000	2018 $'000
Non-current assets			
Interests in subsidiaries		**871,495**	871,495
Current assets			
Other receivables		**151**	147
Bank balances		**61**	94
Current tax receivable		**58**	–
		270	241
Current liabilities			
Trade payables and accrued charges		**1,972**	2,084
Current tax payable		**–**	165
		1,972	2,249
Net current liabilities		**(1,702)**	(2,008)
Total assets less current liabilities		**869,793**	869,487
Non-current liabilities			
Amount due to a subsidiary		**521,832**	510,043
		347,961	359,444
Capital and reserves	34(b)		
Share capital		**107,519**	107,519
Reserves		**240,442**	251,925
		347,961	359,444

Approved and authorised for issue by the board of directors on 27 August 2019.

Wong Kai Chung, Kevin
Chief Executive Officer

Wong Kai Chi, Kenneth
Managing Director

34 FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY – CONTINUED

(b) Equity movement of the Company

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

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Contributed surplus $'000	Retained profits $'000	Total $'000
At 1 July 2017	107,519	1,499	233	124,802	146,241	380,294
Profit and total comprehensive income for the year	–	–	–	–	654	654
Special dividends approved in respect of the previous year (note 9)	–	–	–	–	(10,752)	(10,752)
Interim dividends declared in respect of the current year (note 9)	–	–	–	–	(10,752)	(10,752)
At 30 June 2018 and 1 July 2018	107,519	1,499	233	124,802	125,391	359,444
Loss and total comprehensive income for the year	–	–	–	–	(731)	(731)
Final dividends approved in respect of the previous year (note 9)	–	–	–	–	(10,752)	(10,752)
At 30 June 2019	107,519	1,499	233	124,802	113,908	347,961

(c) Distributability of reserves

At 30 June 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $238,710,000 (2018: $250,193,000).

(Expressed in Hong Kong dollars)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, Long-term interest in associates and joint ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 31 December 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, *Leases*

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

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

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2019 – continued

HKFRS 16, *Leases* – continued

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application on 1 July 2019. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019 and will not restate the comparative information. As disclosed in note 27, at 30 June 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to $29,089,000 and $1,672,000 for properties, which is payable between 1 and 5 years after the reporting date and in more than 5 years respectively.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 1 July 2019 onwards.

SUMMARY OF GROUP PROPERTIES

INVESTMENT PROPERTIES

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

FIVE YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	**2019** **$'000**
Year ended 30 June					
Revenue	1,170,468	1,179,025	1,126,008	1,281,021	**1,225,402**
Profit/(loss) before taxation	42,127	39,944	8,451	15,082	**(59,409)**
Income tax	(6,219)	(5,660)	(2,473)	(2,735)	**(3,382)**
Profit/(loss) for the year	35,908	34,284	5,978	12,347	**(62,791)**
Attributable to:					
– Equity shareholders of the Company	34,178	32,298	5,397	12,869	**(61,224)**
– Non-controlling interests	1,730	1,986	581	(522)	**(1,567)**
	35,908	34,284	5,978	12,347	**(62,791)**

ASSETS AND LIABILITIES

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	**2019** **$'000**
At 30 June					
Total assets	762,159	716,097	721,698	715,058	**819,468**
Total liabilities	(183,186)	(147,264)	(165,798)	(162,596)	**(296,286)**
	578,973	568,833	555,900	552,462	**523,182**
Equity attributable to:					
– Equity shareholders of the Company	558,526	557,718	546,020	543,017	**515,532**
– Non-controlling interests	20,447	11,115	9,880	9,445	**7,650**
	578,973	568,833	555,900	552,462	**523,182**