High Fashion International Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 608)

2014
ANNUAL REPORT


丝绸故事
SILK STORY

CONTENTS

CHAIRMAN'S STATEMENT

For the year 2014, the Group has weathered a very challenging and complex global economic environment with increasingly intensified competition in our fashion apparel industry. Thanks again to our adaptation over the years of proactive efforts in the areas of structural optimization, operational transformation and product innovation with market and customer-oriented strategies in mind, we are pleased to deliver another year of solid financial results and robust underlying performance parameters.

- Revenue for the year increased by 2% from HK$2,806.66 million to HK$2,864.79 million
- Gross profit margin lifted up from 22.7% to 24.9%
- Operating cost ratio (selling, distribution & administrative expenses as a % of sales) improved from 23.2% to 21.5%
- Net profit for the year decreased from HK$194.48 million to HK$101.47 million
- Net cash position at HK$87.61 million
- Basic earnings per share landed at HK$0.34
- Net asset value per share amounted to HK$8.22
- Proposed final dividend per share is HK$0.05 and the total dividend for the year will be HK$0.10 per share

Notwithstanding the mixed macro economic performance worldwide with shrinking sales and margin in our industry alongside with the sluggish consumer spending especially in China, we have once again demonstrated our successful strategic differentiation in expansion into market segment of growing new fashion trend as well as customer trade up in our key export markets of USA and Europe. While reported net profit was affected by RMB depreciation and smaller increase in fair value of investment properties compared with last year, our strong underlying operating performance with improvement achieved in both sales, gross margin profitability and operating cost efficiency reinforced our belief in wide acceptance of our innovative lifestyle product enrichment in the market. We will continue to leverage our proven development strength through continuous technology investment, anchoring our market leadership role in the silk industry.

The Group's visionary investment into smart technologies and innovation over the years is undoubtedly aligned with China Government's latest strategic direction of transforming the nation from a manufacturer of quantity to one of quality. With consistent efforts driving progressive advancement towards achieving the "Industry 4.0" landmark, we have full confidence in bringing the Group to continued success.

Chairman's Statement

We will continue to ride on the identified opportunity of product innovation emerged from the "New Normal" stage of economic development. It will not only allow us to build on our core competence to maintain our leadership position in our key export markets, but what more important is to capture and master our retail dynamics in the Greater China consumer market through our restructured e-commerce of silk heritage multi brand, multi platform distribution channels. It is evidenced in the growing number of affluent customers enjoying the online and offline shopping convenience whilst we can maximize our cross selling potential at reduced cost. This will become part of our omni channel investment strategic direction that we believe it will be a great stepping stone for sustainable growth in future.

Looking ahead, we are confident of the China government's commitment to a new normal state of sustainable economic growth through the dynamics of the "Silk Road Economic Belt". As the World No.1 silk enterprise dedicated to develop quality and innovative silk products, the Group is well-positioned to ride on the huge business opportunities that come along with the development of the Silk Road Economic Belt and make our silk products to become an integral part of the Chinese culture in respect of both gifting as well as being recognized as lifestyle consumables and durables products. The Group is also well positioned with specific development projects to exploit the potential behind our silk heritage brands and established infrastructure and technologies which would deliver promising long term prospects for the Group.

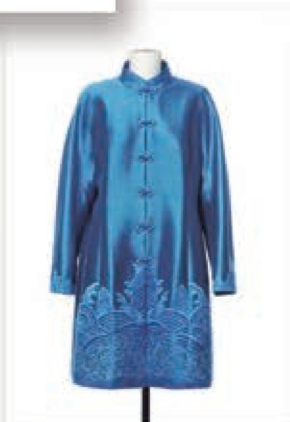
I am greatly appreciative of the enormous support and advices we constantly receive from our shareholders, banks, customers, suppliers and our fellow Directors. I would also like to thank the management team and all staff members of our Group for their dedication and contribution.

LAM FOO WAH
Chairman & Managing Director

Hong Kong, 30 March 2015


APEC CHINA 2014
优秀证书
达利丝绸（浙江）有限公司：
感谢贵单位参与2014年亚太经合组织（APEC）会议领导人服装样衣制作工作并作出突出贡献。
特发此证，以示表彰。
APEC CHINA 2014
荣誉证书
达利丝绸浙江有限公司：
感谢贵单位在2014年亚太经合组织（apec）会议领导人服装工作中作出的突出贡献。
特发此证，予以表彰！
授 予：
Awarded to:
达利丝绸（浙江）有限公司
High Fashion Silk Zhejiang Co.,Ltd.
全球驻华大使馆国事活动丝绸定制专用品牌
Exclusively Ordered Silk Piece Goods For Embassies Worldwide To China
2014世界外交官中国文化之旅组委会
2014 world Diplomats Chinese Culture Trip
2014年11月11日
November 11, 2014
APEC CHINA 2014
纪念证书
达利丝绸浙江有限公司：
感谢贵单位参与2014年亚太经合组织（APEC）会议领导人服装设计工作并作出突出贡献。
特发此证，以示纪念。

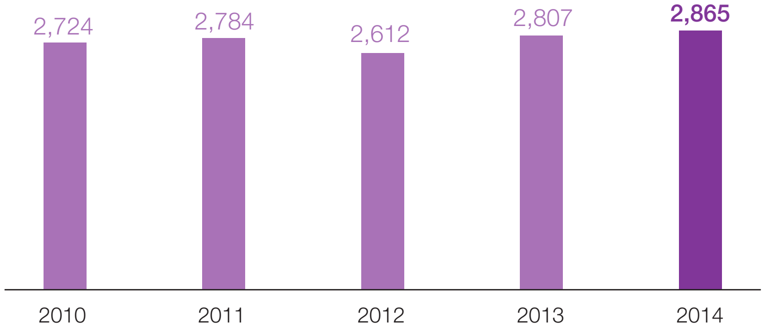

亚太经合组织第二十二次领导人非正式会议
THE 22ND APEC ECONOMIC LEADERS' MEETING



FINANCIAL HIGHLIGHTS

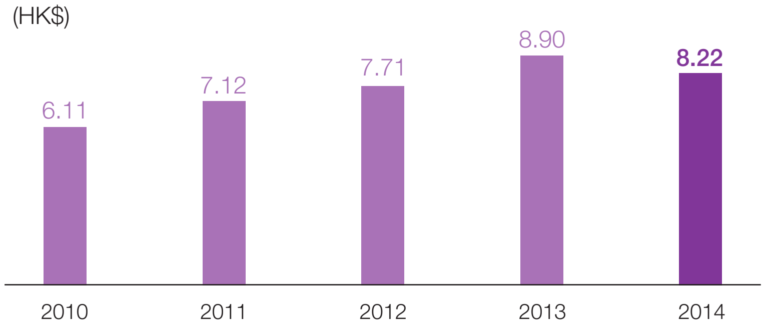
Turnover

(HK$ Million)



Net Asset Value Per Share

(HK$)



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND REVIEW OF OPERATIONS

Leveraging continuous effort in driving product innovation, market expansion and customer trade up, the Group achieved solid operating results for the year 2014 despite challenging macroeconomic environment and sluggish consumer spending in our key sales markets. Revenue of the Group grew by 2% to HK$2.9 billion for the year and gross profit margin lifted up by 2.2% to 24.9% while the industry is generally experiencing sales downtrend as well as margin erosion.

The Group also managed to achieve a lower operating cost ratio despite escalating cost burden faced by all companies with significant operating base in China. Operating cost ratio (selling, distribution & administrative expenses as a % of sales) improved to 21.5% from 23.2% same period last year. This is a clear demonstration of the Group's outstanding capability to drive enhancement in staff productivity, as well as manufacturing and operating efficiency.

Such strong underlying performance was nonetheless undermined by the generally unexpected RMB depreciation recorded in the year which has negatively impacted the valuation of our RMB based assets. Loss on fair value change of derivative financial instruments amounted to HK$50.2 million (2013: gain of HK$18.5 million), which is the financial instruments for hedging RMB for the year from 2015 to 2017. The smaller increase in fair value of our investment properties before tax compared to same period last year (HK$57 million in 2014 versus HK$158 million in 2013) has also resulted to a significant negative swing in bottom-line contribution.

Net profit attributable to shareholders for the year ended 31 December 2014 landed at HK$101 million, a 48% decline compared to the profit of HK$194 million in 2013. Basic earnings per share were HK$0.34, down 48%.

Management Discussion And Analysis

SEGMENT INFORMATION

	Revenue		Contribution	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principal activity:				
Manufacturing and trading	**2,497,293**	2,286,551	**241,429**	327,073
Brand business	**367,494**	520,110	**(49,350)**	(26,669)
	2,864,787	2,806,661	**192,079**	300,404
By geographical segments:				
USA	**1,255,466**	1,278,555	**71,215**	65,375
Europe	**568,764**	510,480	**36,494**	29,683
Greater China	**747,532**	781,667	**69,873**	190,628
Others	**293,025**	235,959	**14,497**	14,718
	2,864,787	2,806,661	**192,079**	300,404

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total outstanding bank borrowings were decreased to HK$2,195 million at the end of reporting period compared to HK$2,536 million as at 31 December 2013. The decrease in bank borrowing was mainly due to our hedging arrangement during the year. Our gearing ratio of non-current liabilities to shareholders' funds was only 9% at the end of reporting period. Current ratio has been maintained at a healthy level of 1.23.

The Group's total cash and bank balances were HK$2,283 million at the end of reporting period compared to HK$2,699 million as at 31 December 2013. Based on the net cash position and the ample banking

Management Discussion And Analysis

facilities available, the Group had a very strong working capital and liquidity to meet the operating needs and future growth.

The Group's trade receivables were mainly denominated in US dollar. Bank borrowings were denominated in US dollar and Hong Kong dollar. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk is minimal. The Group has taken conservative approach to handle foreign currency risk with adequate hedging reserve. The Group had no borrowings at fixed interest rates during the year.

The Group has no material contingent liabilities. Barring the pledge of trade receivables and bills receivables of certain subsidiaries of HK$48 million, there were no charges on the Group's assets.

TAX AUDIT

The Inland Revenue Department (IRD) initiated a tax audit on certain group companies in February 2006 for the years of assessment from 1999/2000 onwards. The management is of the opinion that, in all the years, adequate Hong Kong tax provisions were made on the Hong Kong sourced income. Since the tax audit is still at a fact-finding stage, the outcome of the tax audit cannot be readily ascertained. After consulting with professional advisers, the management is of the opinion that the existing provisions are adequate.

HUMAN RESOURCES

The total number of employees of the Group including jointly controlled entities as at the end of the reporting period was about 7,600. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share options were granted to employees during the year.

CAPITAL EXPENDITURE

The Group has purchased the plant and equipment and the leasehold improvement and construction in progress of around HK$45 million in order to upgrade its manufacturing capabilities and environmental protection during the year. Except for the above, there was no material capital expenditure during the year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LAM Foo Wah, aged 66, is the founder of the Group. Mr. Lam is the Chairman and the Managing Director and the chairman of the Nomination Committee of the Company. Mr. Lam is the visionary leader and is responsible for the overall strategic planning with goals setting for the Group to pursue aggressively. He has over 30 years of experience in manufacturing of apparel industry and marketing of brand and retail management. Mr. Lam is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is the father of Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well.

Ms. SO Siu Hang, Patricia, aged 56, joined the Group in 1990. Ms. So is an Executive Director of the Company and is responsible for the Group's strategic planning, implementation and global business development. She has an in-depth knowledge of the fashion apparel industry and has substantial experience in corporate management. She holds a bachelor degree in commerce and finance from the University of Toronto and a master degree in business administration from York University in Canada. Prior to joining the Group, she worked for Standard Chartered Bank for 4 years.

Mr. LAM Gee Yu, Will, aged 32, joined the Group in 2010. Mr. Lam is an Executive Director of the Company. He serves as a member of Hong Kong Real Estate Association, a vice president of Shenzhen Garment Industry Association, a member of retail and tourism committee of Hong Kong General Chamber of Commerce, a member of The Chinese Manufacturers' Association of Hong Kong and a member of The Hong Kong Institute of Directors. He holds a Bachelor of Science Degree from Chinese University of Hong Kong and a Master of Finance Degree from Princeton University. Prior to joining the Group, he worked for an international bank in Asia and an international investment bank in United States. He is a son of Mr. Lam Foo Wah and a brother of Mr. Lam Din Yu, Well.

Mr. LAM Din Yu, Well, aged 30, joined the Group in 2006. Mr. Lam is an Executive Director of the Company and the Vice Chairman and General Manager of High Fashion (China) Co., Ltd. He holds a bachelor degree of Business Administration from Boston University. He is a son of Mr. Lam Foo Wah and a brother of Mr. Lam Gee Yu, Will.

NON-EXECUTIVE DIRECTORS

Mr. CHAN Wah Tip, Michael, aged 62, joined the Group as Company Secretary in 1992. Mr. Chan is a Non-executive Director, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Chan was an Independent Non-executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in October 2004. He has been practising as a solicitor in Hong Kong for over 30 years. Mr. Chan is a consultant of Wilkinson & Grist which is the legal adviser of the Company. He was a non-executive director of Shougang Concord Technology Holdings Limited and an independent non-executive director of L.K. Technology Holdings Limited.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS (Cont'd)

Professor YEUNG Kwok Wing, aged 67, joined the Group in 2000. Professor Yeung is a Non-executive Director, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is currently the executive director of Clothing Industry Training Authority ("CITA") in Hong Kong. He holds a PhD from the Queen's University of Belfast, Northern Ireland. Professor Yeung specializes in textile product development, quality assurance and management and serves as various honorary fellows and members of international associations of textile, dyers and colorists as well. He has a long and distinguished academic career and was associated with The Hong Kong Polytechnic University ("PolyU") for more than 30 years before joining CITA in June 2006. His administrative ability is also highly appreciated in PolyU when he was posted as its vice president overseeing academic development from 2002 to 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WOO King Wai, aged 70, joined the Group in 1992. Mr. Woo is an Independent Non-executive Director, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He holds a bachelor degree in architecture (Honours) from the University of the California, Berkeley. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects and a member of the University of California Berkeley Foundation Board of Trustees. He served as an executive member of the Hainan Political Consultative Conference, the People's Republic of China.

Mr. WONG Shiu Hoi, Peter, aged 74, joined the Group in 2004. Mr. Wong is an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. He holds a Master of Business Administration Degree from the University of East Asia, Macau (currently known as the "University of Macau"). Mr. Wong possesses over 40 years of experience in the financial services industry. He is an independent non-executive director of Tianjin Development Holdings Limited, an overseas business advisor of Haitong Securities Company Limited, a consultant of Halcyon Holdings Limited. He was an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited, the chairman of The Hong Kong Institute of Directors and a director of Hong Kong Securities and Investment Institute.

Mr. LEUNG Hok Lim, *FCPA (Aust.), CPA (Macau), FCPA (Practising)*, aged 79, joined the Group in 2004. Mr. Leung is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Leung is the founding and senior partner of PKF, Accountants and Business Advisers. Mr. Leung is a non-executive director of Beijing-Hongkong Exchange of Personnel Centre Limited, and the independent non-executive director of a number of listed companies namely Fujian Holdings Limited, Phoenix Satellite Television Holdings Limited, S E A Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. LEUNG Suk Yin, Hilda, aged 58, has been with the Group since its inception. She is a director of High Fashion Garments Company Limited and the Vice Chairman of High Fashion (China) Co., Ltd. Ms. Leung holds a diploma in business management from the Hong Kong Polytechnic University and the Hong Kong Management Association. She has over 30 years of experience in the merchandising, marketing and production of garments.

Mr. LIN Ping, aged 54, joined the Group in 1993. He is the Chairman and the CEO of High Fashion Silk (Zhejiang) Co., Ltd. and responsible for the operation and administration. He serves as Vice President of Chinese Textile Enterprisers Association, Vice President of China Silk Association, Vice President of China Fashion Color Association, Vice President of Silk Branch of China Textile Chamber of Commerce, Vice President of China Silk Quilt Association, an executive member of China Textile Photography Association, President of Zhejiang Industry Tourism Association, Vice President of Zhejiang Textile Association, Vice President of Zhejiang Province Silk Association, Vice President of Shaoxing Textile Association, Vice President of Shaoxing Tourism Association, Representative of 6th and 7th NPC of Shaoxing, Representative of 13th, 14th and 15th NPC of Xinchang, Creative Consultant of Donghua University, Professor and tutor for master degree of Wuhan Textile University, Part-time Professor of Zhejiang Sci-Tech University and Honorary Professor of Hangzhou Vocational Technical College, President of High Fashion Womenswear College. He attains EMBA education and is the senior economist in China. He has over 30 years' experience in textile industry and extensive experience in product design and development, silk weaving production and management.

Ms. CHOW Siu Ping, Helen, aged 53, joined the Group in 2000. She is the CEO of Knitwear Centre of High Fashion (China) Co., Ltd. and has extensive experience in the merchandising, product development and production of knitting garments. Before joining the Group, she worked as leading roles for many sizable manufacturing groups and apparel brands.

Mr. POON Yiu Ming, George, aged 42, joined the Group in January 2015. He is the Chief Financial Officer of the Group and is in-charge of the overall finance and accounting strategies and operations as well as investor relations. He has over 18 years of finance, commercial and strategic development experience gained from multinational companies across retail, banking and the technology sectors. He is a member of CPA Australia. He holds a bachelor degree in environmental science from the University of Hong Kong and a master degree in business administration from the Monash University.

Mr. RUAN Gen Yao, aged 54, joined the Group in 2001. He is a director and the General Manager of Zhejiang High Fashion Culture Creativity Co., Ltd. and responsible for the operation of that company. He is a politician engineer in China and Labour Model of Hangzhou and the representation of the People's Congress of Tonglu, China. He has over 20 years' experience in silk finishing and dyeing industry and extensive experience in business management.

Mr. CHAN Chun Man, Benedict, aged 60, joined the Group in 1992. He is the Chief Operating Officer of August Silk Inc. and High Fashion International (USA) Inc. He is responsible for overseeing the Group's affairs in USA. He graduated from the University of Hong Kong with a bachelor degree in economics and pure mathematics. He is a member of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT (Cont'd)

Ms. Ellen DAWSON-BRUCKENTHAL, aged 58, is the President and Chief Merchandise Officer of August Silk Inc. She began her career in the Executive Training Program at Bloomingdales, a division of Federated Dept. Stores in 1978 where she consequently held the positions of Store Manager, Senior Buyer and Divisional Merchandise Manager. She is a graduate of Berkeley College and holds a degree in Fashion Marketing & Management. She joined August Silk Inc. in 1994.

Mr. Daniele FURLAN, aged 58, joined the Group in 2004 as a consultant. He is primarily responsible for the sales and marketing of fabrics and garments to European market and provides technical, organizational and industrial knowhow to the Group's factories. He is responsible for the product development of the Group and is the CEO of Advance Textile Centre of High Fashion (China) Co., Ltd., the supplier of finished fabrics and circular knit. He holds a diploma in business administration and a master in psychology from Padova University. Previously, he worked as a manager in the Benetton Group for more than 25 years and was responsible for various production units and sourcing divisions. In particular, he was responsible for the worldwide production licensing, fabric mill, garment, accessories and shoes outsourcing department of the Benetton Group. He was the managing director of Lanificio di Follina and also, for seven years, the managing director of Benetton (Far East) Limited in Hong Kong.

Ms. CHAN Wai Wei, Cynthia, aged 42, joined the Group in 2000. Ms. Chan is the Company Secretary of the Company and has over 10 years' experience in accounting and auditing. Prior to joining the Group, she worked for an international accounting firm. She is a member of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators.

Mr. PANG Kin Wah, Julian, aged 42, joined the Group in 2004. He is the Chief Financial Officer of High Fashion (China) Co., Ltd. He is a member of the Hong Kong Institute of Certified Public Accountants and has Certified of Internal Auditors (CIA) professional designation. He holds a bachelor degree of business administration (honours) in accountancy from the Hong Kong Polytechnic University and a master degree in business administration from the Chinese University of Hong Kong. Prior to joining the Group, he worked for a financial institution and an international accounting firm.

Ms. HU Ze Lin, aged 64, joined the Group in 1993. She is a director and the Deputy General Manager of High Fashion Silk (Zhejiang) Co. Ltd. and responsible for the production of that company. She attained matriculated education and is an economist in China. She has over 30 years of experience in textile industry and extensive experience in quality control in silk weaving production management.

Mr. ZHANG Shan Pu, aged 59, joined the Group in 1999. He is the General Manager of Suzhou High Fashion Garments Co., Ltd. and responsible for the operation of that company. He graduated from an institution. Mr. Zhang has over 20 years of experience in silk knitting garments management and extensive experience in business management.

Report of the Directors

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 48 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the statement of financial position of the Group at that date are set out in the consolidated financial statements on pages 36 to 123.

An interim dividend of 5 HK cents per ordinary share was paid on 7 October 2014. The Board recommended the payment of a final dividend of 5 HK cents per ordinary share in respect of the year to shareholders on the register of members on 15 June 2015. Dividend warrants for the final dividend is expected to be despatched on or around 29 June 2015.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 124. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 17 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, is set out in note 35 to the consolidated financial statements.

SHARE OPTION SCHEME

A summary of the share option scheme during the year is set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

Report of the Directors

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of The Companies Act 1981 of Bermuda (as amended), amounted to HK$139,391,000, of which HK$15,281,000 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$287,656,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK$3,820,000 (2013: HK$290,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 29% of the total sales for the year and sales to the largest customer included therein amounted to 12.3%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major customers or suppliers.

DIRECTORS

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

Executive directors:

Mr. Lam Foo Wah
Ms. So Siu Hang, Patricia
Mr. Lam Gee Yu, Will (appointed on 1 April 2014)
Mr. Lam Din Yu, Well (appointed on 1 April 2014)

Non-executive directors:

Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing

Independent non-executive directors:

Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Woo King Wai, Ms. So Siu Hang, Patricia and Professor Yeung Kwok Wing will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

INDEPENDENCE CONFIRMATION

Pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), each independent non-executive director re-affirmed his independent status with the Company as at 31 December 2014, and the Company considered that they are independent.

DIRECTORS' EMOLUMENTS

Particulars as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 9 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed under the section "Related Party Transactions" in note 45 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2014 are disclosed in note 45 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by directors of listed issuers ("Model Code") contained in the Listing Rules, were as follows:

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

(i) Long Positions in the Company's Shares

Name of Directors	*Notes*	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital *(Note 3)*
Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.59%
	1, 2	Other interest	Other	156,359,327	51.16%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

(ii) Long Position in Shares of Associated Corporation

Name of Director	*Note*	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	Percentage of the associated corporation's issued share capital
Lam Foo Wah	*4*	High Fashion Knitters Limited	Subsidiary	Interest of controlled corporations	5,339,431	35.60%

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 118,465,487 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.

2. Mr. Lam Foo Wah is deemed to have interests in 37,893,840 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.

3. The issued share capital of the Company is 305,615,420 shares as at 31 December 2014.

4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Save as disclosed above, as at 31 December 2014, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

At no time during the year ended 31 December 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to section 336 of SFO:

Long Positions in the Company's Ordinary Shares:

Name of Shareholders	*Note*	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital *(Note 2)*
Hinton Company Limited	*1*	Beneficial owner	118,465,487	38.76%
High Fashion Charitable Foundation Limited	*1*	Beneficial owner	37,893,840	12.40%

Notes:

1. Such interests have been disclosed as interests of Mr. Lam Foo Wah in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

2. The issued share capital of the Company is 305,615,420 shares as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, no person, other than the directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to section 336 of the SFO.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is a sufficiency of public float of the Company's securities as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the accounting year ended 31 December 2014, except for the deviations as described below:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lam Foo Wah is the Chairman and Managing Director of the Company. The Board considers that the function of the Chairman and the Managing Director in the Company's strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices in the condition of the Group and its stage of development.

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, Mr. Woo King Wai (Independent Non-executive Director) and Professor Yeung Kwok Wing (Non-executive Director) were unable to attend the annual general meeting held on 6 June 2014.

Details of the Company's corporate governance report are set out on pages 20 to 33.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 were audited by Deloitte Touche Tohmatsu.

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LAM FOO WAH
Chairman & Managing Director

Hong Kong, 30 March 2015

Corporate Governance Report

The Board of Directors ("Board") and the management of the Company are committed to establishment and maintaining of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and accountability and transparency to all shareholders.

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the accounting year ended 31 December 2014, except for the deviations as described below:

1. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lam Foo Wah is the Chairman and Managing Director of the Company. The Board considers that the function of the Chairman and the Managing Director in the Company's strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices in the condition of the Group and its stage of development.

2. Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagement, Mr. Woo King Wai (Independent Non-executive Director) and Professor Yeung Kwok Wing (Non-executive Director) were unable to attend the annual general meeting held on 6 June 2014.

THE BOARD

The Board of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

At the year end, the Board of the Company consisted of a total of nine directors, comprising four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The names of directors and their positions are as follows:

Name of Director	Position
Executive directors:	
Mr. Lam Foo Wah	Chairman and Managing Director
Ms. So Siu Hang, Patricia	Executive Director
Mr. Lam Gee Yu, Will	Executive Director
Mr. Lam Din Yu, Well	Executive Director
Non-executive directors:	
Mr. Chan Wah Tip, Michael	Non-executive Director
Professor Yeung Kwok Wing	Non-executive Director
Mr. Woo King Wai	Independent Non-executive Director
Mr. Wong Shiu Hoi, Peter	Independent Non-executive Director
Mr. Leung Hok Lim	Independent Non-executive Director

Note: Messrs. Lam Gee Yu, Will and Lam Din Yu, Well were appointed as Executive Director with effect from 1 April 2014.

Corporate Governance Report

THE BOARD (Cont'd)

The Directors' biographical information is set out on pages 10 to 13.

An updated list of directors of the Company and their respective roles and functions have been maintained on the website of the Company and the designated website of the Stock Exchange.

Pursuant to Rule 3.10A of the Listing Rules, listed issuers should appoint independent non-executive directors (INEDs) representing at least one-third of the board. The number of INEDs represents more than one-third of the Board. One of the three INEDs has appropriate professional qualifications, or accounting or related financial management expertise.

Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

Board Meeting

During the year, four regular Board meeting were held for facilitating the function of the Board. In any event all Directors were available for consultation by management from time to time.

In order to ensure that the Board is able to fulfill its responsibilities, it has established and delegated specific responsibilities to the Audit Committee, Remuneration Committee and Nomination Committee. The details of the committees are stipulated on pages 24 to 27 of this report.

The Company provides at least 14 days' notices of every Board meeting to all Directors. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

During the financial year, the Executive Directors and the Company Secretary attended the regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors had full access to information on the Group and were able to seek independent professional advice whenever deemed necessary by the Directors. The Company Secretary prepared minutes and kept records of matters discussed and decisions resolved at all Board meetings.

Corporate Governance Report

THE BOARD (Cont'd)

Directors' attendance records

During the year ended 31 December 2014, details of Directors' attendance at the Board and respective Board Committees Meetings and the annual general meeting held on 6 June 2014 ("2014 AGM") are as follows:

	Meetings Attended/held				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	2014 AGM
Executive directors:					
Mr. Lam Foo Wah	4/4	N/A	N/A	1/1	1/1
Ms. So Siu Hang, Patricia	4/4	N/A	N/A	N/A	1/1
Mr. Lam Gee Yu, Will	3/3	N/A	N/A	N/A	1/1
Mr. Lam Din Yu, Well	3/3	N/A	N/A	N/A	1/1
Non-executive directors:					
Mr. Chan Wah Tip, Michael	4/4	2/2	1/1	1/1	1/1
Professor Yeung Kwok Wing	4/4	2/2	1/1	1/1	0/1
Independent non-executive directors:					
Mr. Woo King Wai	1/4	2/2	1/1	1/1	0/1
Mr. Wong Shiu Hoi, Peter	3/4	1/2	1/1	1/1	1/1
Mr. Leung Hok Lim	4/4	2/2	1/1	1/1	1/1

Nomination, Appointment and Re-election of Directors

The Company has established the Nomination Committee with specific terms of reference in March 2012 and formal nomination procedures were adopted. Any nomination of directors will be reviewed and discussed by the Nomination Committee for his suitability on the basis of qualifications, experience and background. Suitable candidates will be recommended by the Nomination Committee to the Board for consideration of the appointment.

In accordance with the Company's Bye-Laws, newly appointed director(s) is/are required to retire and can offer themselves for re-election at the first general meeting following their appointment.

The Company's Bye-Laws provide that every Director shall be subject to retirement by rotation at least once every three years and that one-third (or the number nearest to one-third) of the Directors shall retire from office every year at annual general meeting of the Company. Retiring Directors are eligible for re-election.

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Woo King Wai, Ms. So Siu Hang, Patricia and Professor Yeung Kwok Wing will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 8 June 2015 ("2015 AGM").

Corporate Governance Report

THE BOARD (Cont'd)

Nomination, Appointment and Re-election of Directors (Cont'd)

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Pursuant to the code provision A.4.3 of CG Code, any further appointment of INED serving more than nine years should be subject to a separate resolution to be approved by shareholders. Mr. Woo King Wai is INED serving the Company since 1992. Mr. Woo has met the independence guidelines set out in Rule 3.13 of the Listing Rules and have made an annual confirmation of independence to the Company. The Board is satisfied that Mr. Woo who served the Company for more than nine years, remains independent, and considers that he would be able to continue to discharge his duties as an INED to the Company. Mr. Woo should be re-elected and separate resolution will be proposed for his re-election at the 2015 AGM.

During the financial year, each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman of the Board ("Chairman") and the Managing Director are held and performed by Mr. Lam Foo Wah, the same individual. The Board considers that the function of the Chairman and the Managing Director in the Company's strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices given the conditions of the Group and its stage of development.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chairman who is also the Managing Director. The Managing Director, working with the other executive directors and the executive management team of each business division, is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have made full and active contribution to the affairs of the Board and it always acts in the best interests of the Group.

With the support from Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receives adequate and reliable information in a timely manner. Apart from the regular Board meetings, the Chairman hold meetings with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors.

BOARD COMMITTEES

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. Three board committees have been established and each of them has its specific duties and authorities setting out in its own terms of reference. Written terms of reference, which are in line with the CG Code, of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the website of the Company and the designated website of the Stock Exchange.

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Audit Committee

During the year, the Audit Committee comprises Mr. Leung Hok Lim (Chairman), Mr. Chan Wah Tip, Michael, Professor Yeung Kwok Wing, Mr. Woo King Wai and Mr. Wong Shiu Hoi, Peter.

The Company has complied with the requirement of the Listing Rules in establishing an audit committee comprising at least three members who must be Non-executive Directors only, and the majority thereof must be Independent Non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee adopted the terms of reference with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the requirements of the CG Code.

The main duties of the Audit Committee are set out below:

(i) to recommend to the Board on the appointment, reappointment and removal of the external auditor, and any questions of resignation or dismissal of the auditor;

(ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(iii) to develop and implement policy on the engagement of external auditor to supply non-audit services;

(iv) to monitor integrity of financial statements of the Company and the Company's annual and interim reports and accounts, and to review significant financial reporting judgments contained in such reports;

(v) to review the Company's financial controls, internal control and risk management systems; and

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

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.

During the year, the Audit Committee held two regular meetings to review and provide supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditor of the Company. The members' attendance to the Committee meeting is listed out on page 22.

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

The Board adopted the Whistle-Blowing Policy in August 2013 setting out the approach for employees and those who deal with the issuer (eg. Customers and suppliers) to raise concerns, in confidence, with audit committee about possible improprieties in any matter related to the issuer. The Company shall present the quarterly whistle-blowing report to the Audit Committee for review.

In March 2015, the Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014. Minutes drafted by the secretary of Audit Committee are circulated to members of the Audit Committee within a reasonable time after each meeting.

Remuneration Committee

During the year, the Remuneration Committee comprises Mr. Wong Shiu Hoi, Peter (Chairman), Mr. Chan Wah Tip, Michael, Professor Yeung Kwok Wing, Mr. Woo King Wai and Mr. Leung Hok Lim.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee make recommendation to the Board on the remuneration packages of, including benefits in kind, pension rights and compensation payments, of individual executive directors and senior management.

The Remuneration Committee consulted the Chairman about their proposals relating to remuneration package and other human resources issues of the directors and senior management of the Company. The emoluments of directors and senior management are based on the skill, knowledge and involvement in the Company's affairs of each director and senior management and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

During the year, the Remuneration Committee reviewed the remuneration packages of Executive Directors and made recommendation to the Board for the policy and structure for remuneration of directors and senior management. A regular meeting of Remuneration Committee has been convened in March 2014 and members' attendance to the Remuneration Committee meeting is listed out on page 22.

Particulars of directors' emoluments and employee's emoluments for the year ended 31 December 2014 are set out in note 9 to the consolidated financial statements.

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Nomination Committee

During the year, the Nomination Committee comprises Mr. Lam Foo Wah (Chairman), Mr. Chan Wah Tip, Michael, Professor Yeung Kwok Wing, Mr. Woo King Wai, Mr. Wong Shiu Hoi, Peter and Mr. Leung Hok Lim.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board on the appointment or re-appointment of directors. Formal nomination procedures were adopted by the Board for governing the nomination and re-election of directors.

The Board adopted the Board Diversity Policy in March 2013 setting out the approach to diversity on the Board. The Board Diversity Policy shall be reviewed by the Nomination Committee, as appropriate, to ensure its effectiveness.

During the year, the Nomination Committee reviewed the structure of the Board, the independence of independent non-executive directors and made recommendations in relation to the re-appointment of the retiring directors. A regular meeting of Nomination Committee has been convened in March 2014 and members' attendance to the Nomination Committee meeting is listed out on page 22.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Terms of Reference of the Board of the Company and the relevant duties include the following:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Confirmation has been sought from all Directors and they have complied with the required standard set out in the Model Code for the year ended 31 December 2014.

The Company has established the written guidelines on no less exacting terms than the Model Code relating to securities transactions for the relevant employees.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by individual directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2014 is recorded in the table below.

	Type of Continuous Professional Development	
Name of Directors	Reading regulatory updates or information	Attending external seminar(s)/ workshop(s)/ programme(s)
Executive directors:		
Mr. Lam Foo Wah	✓	–
Ms. So Siu Hang, Patricia	✓	–
Mr. Lam Gee Yu, Will	✓	✓
Mr. Lam Din Yu, Well	✓	✓
Non-executive directors:		
Mr. Chan Wah Tip, Michael	✓	✓
Professor Yeung Kwok Wing	✓	–
Independent non-executive directors:		
Mr. Woo King Wai	✓	–
Mr. Wong Shiu Hoi, Peter	✓	✓
Mr. Leung Hok Lim	✓	✓

The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the Finance Department, the consolidated financial statements of the Group.

The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2014, the Directors believe that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and ensured the financial statements are prepared on a "going concern" basis.

The final and interim results of the Company are announced in a timely manner within the limits of three months and two months respectively after the end of the relevant year or period.

A statement by the Auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 34 to 35.

Auditors' Remuneration

The Group's external auditor is Deloitte Touche Tohmatsu who perform audit and non-audit services for the year ended 31 December 2014. The Group paid or payable to Deloitte Touche Tohmatsu in respect of audit services fee of approximately HK$2,750,000 and non-audit services fee of approximately HK$386,600.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board conducts reviews of the effectiveness of the internal control system for the year ended 31 December 2014 covering all material controls, including financial, operational and compliance controls and risk management functions by considering reviews performed by the Audit Committee, executive management and both the group internal audit department and external auditor. The Group's system of internal control comprises a defined management structure with limits of authority, is designed to help the achievement of business objectives, 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 for publication, and ensure compliance with relevant legislation and regulations.

The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Corporate Governance Report

INTERNAL CONTROL (Cont'd)

The criteria for the Board to assess the effectiveness of the system of internal control are listed below:

(i) Organisational Structure

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been already established.

(ii) Authority and Control

The relevant Executive Directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments. The Board is responsible for handling and dissemination of price sensitive information through discussion and delegation of authority to the Company Secretary.

(iii) Budgetary Control and Financial Reporting

Budgets are prepared annually by the senior management and are subject to review and approval of the Executive Directors prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditure. Results of operations against budgets are reported regularly to the Executive Directors. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of consolidated financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

(iv) Systems and Procedures

Systems and procedures are set to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and each principal division. Exposure to these risks is monitored by the Executive Directors and the management of the respective principal divisions.

(v) Internal Audit

The group internal audit department performs independent reviews of the controls and risks identified to provide reasonable assurance to management of the Company and principal divisions and the Audit Committee that controls have been set in place and adequately addressed.

Corporate Governance Report

INTERNAL CONTROL (Cont'd)

The group internal audit department monitors compliance with policies and procedures as well as the effectiveness of internal control structures across the Company and the Group. To preserve the independence of the group internal audit department, the group internal audit department reports directly to the Audit Committee. The group internal audit department plans its internal audit schedules annually in consultation with, but independent of, management of the Group and the principal divisions. In addition to its agreed annual schedule of work, the group internal audit department conducts other special reviews as required. As a key criterion of assessing the effectiveness of the internal control system, the Board and the Audit Committee actively monitor the number and seriousness of findings raised by the group internal audit department and also the corrective actions taken by relevant departments.

According to the 2014 internal audit reports, the Group's internal control system is functioning effectively and there was no significant weakness found in the course of the audits carried out during the year. The Board, through the Audit Committee and the internal audit function, has reviewed the effectiveness of the Group's internal control system and is of the view that there are no suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems are ineffective or inadequate except to the extent of the dispute as referred to note 18 to the financial statements. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the CG Code for the year ended 31 December 2014.

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. All Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed. For the year ended 31 December 2014, the Company Secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of communication with our shareholders. In March 2012, the Company adopted a shareholders communication policy to set out the Company's processes to provide shareholders and investment public with equal and timely information on the Company for them to make informed assessments of the Company's strategy, operations and financial performance.

General Meeting

At 2014 AGM held:

(i) A separate resolution was proposed by the Chairman of that meeting in respect of each separate issue, including the re-election of directors.

(ii) The Chairman of the Board, and Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, or in absence of the chairman of such committees, any member from the respective committees, attended the 2014 AGM to address shareholders queries.

(iii) External auditor attended the 2014 AGM and was available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

(iv) The Chairman demanded poll on all resolutions. Tricor Secretaries Limited, the Company's Hong Kong branch share registrar and transfer office, was engaged as scrutineer to ensure the votes were properly counted.

The 2015 AGM will be held at 10th Floor, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Monday, 8 June 2015 at 10:30 a.m. Notice of the 2015 AGM will be sent to all shareholders at least 20 clear business days before the said meeting.

Voting by Poll

It was properly explained at the commencement of the 2014 AGM the procedures for conducting a poll.

At the 2015 AGM, the Chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. The poll results will be posted on the websites of the Stock Exchange and the Company on the same day following the meeting.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS (Cont'd)

Shareholders' Rights

Procedures for shareholders convening meetings

The Company holds a general meeting as its annual general meeting every year. Each general meeting, other than annual general meeting, shall be called a special general meeting ("SGM").

Pursuant to the Company's Bye-Laws, the shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board, to require a SGM to be called by the Board for the transaction of any business specified in such requisition. The written requisition must be deposited at 11th Floor, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong, the Company's Head Office and Principal Place of Business in Hong Kong, for the attention of the Company Secretary.

Procedures for shareholders putting forward proposals

Pursuant to the Company's Bye-Laws, any shareholder, who wishes to propose a person other than a retiring Director of the Company for election as a Director at a general meeting of the Company. The Company's procedures for shareholders to propose a person for election as a director are available on the Company's website.

Investor Relations

The Company establishes different communication channels with shareholders and investors: (i) shareholders can receive printed copies of corporate information, (ii) the general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) the Company's website offers communication channel between the Company and its shareholders and investors; and (iv) the Company's Hong Kong branch share registrar and transfer office serve the shareholders respecting all share registration matters.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements, and circulars. Such published documents, together with the latest corporate information are also made available on the Company's website. The corporate information and shareholders & investor relation information is set out on pages 125 to 126 of this annual report.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED
達利國際集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of High Fashion International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 123, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)
達利國際集團有限公司
(incorporated in Bermuda with limited liability)

BASIS FOR QUALIFIED OPINION

The Group's investment in High Fashion New Media Corporation Limited and its subsidiaries (the "New Media Group") is carried at HK$2,939,000 on the consolidated statement of financial position as at 31 December 2014, and the Group's share of the New Media Group's consolidated net loss and other comprehensive expenses for the period from 11 September 2014 to 31 December 2014 of HK$8,438,000 and HK$236,000 respectively, are included in the consolidated statement of profit or loss and other comprehensive income for the year then ended based on the unaudited management accounts of the New Media Group. As explained in note 18 to the consolidated financial statements, the Group is not able to access the entire books and records of the New Media Group and accordingly we were unable to obtain sufficient appropriate audit evidence to assess whether the carrying amount of the Group's investment in the New Media Group as at 31 December 2014, and the Group's share of the New Media Group's net loss and other comprehensive expenses for the period from 11 September 2014 to 31 December 2014 were fairly stated. In addition, we were unable to assess the recoverability of amounts due from the New Media Group of HK$119,706,000 and the appropriateness of the impairment loss of HK$13,375,000 recognised in respect of amounts due from the New Media Group for the year ended 31 December 2014. Consequently, we were unable to determine whether any adjustment to these amounts were necessary as well as the financial information concerning the New Media Group as disclosed in note 18 to the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 30 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	5	**2,864,787**	2,806,661
Cost of sales		**(2,152,159)**	(2,170,202)
Gross profit		**712,628**	636,459
Other income		**124,726**	121,327
Other gains and losses	7	**(18,770)**	192,354
Administrative expenses		**(384,552)**	(346,897)
Selling and distribution expenses		**(232,636)**	(302,889)
Finance costs	8	**(68,838)**	(62,643)
Share of (losses) profits of joint ventures	18	**(9,317)**	50
Profit before taxation		**123,241**	237,761
Income tax expenses	10	**(30,900)**	(44,937)
Profit for the year	11	**92,341**	192,824
Other comprehensive (expense) income	12		
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(66,283)**	90,168
Exchange differences arising on translation of joint ventures		**(641)**	667
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(98)**	752
Fair value (loss) gain on hedging instruments under cash flow hedges		**(92,969)**	181,699
Reclassified to profit and loss on realisation of cash flow hedges		**(66,551)**	(28,695)
Income tax relating to items that may be reclassified subsequently		**26,355**	(25,452)
Other comprehensive (expense) income for the year, net of tax		**(200,187)**	219,139
Total comprehensive (expense) income for the year		**(107,846)**	411,963
Profit (loss) for the year attributable to:			
Owners of the Company		**101,468**	194,483
Non-controlling interests		**(9,127)**	(1,659)
		92,341	192,824
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(98,926)**	413,619
Non-controlling interests		**(8,920)**	(1,656)
		(107,846)	411,963
Earnings per share	14		
Basic		**HK$0.34**	HK$0.65

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**803,683**	840,607
Prepaid lease payments	*16*	**126,086**	131,776
Investment properties	*17*	**1,021,482**	959,403
Investments in joint ventures	*18*	**21,915**	20,260
Available-for-sale investments, at cost		**675**	675
Deposit placed and prepayment of premium for a life insurance	*19*	**26,589**	26,723
Derivative financial instruments	*20*	**347**	67,288
Deferred tax assets	*33*	**35,335**	39,728
		2,036,112	2,086,460
Current assets			
Inventories	*21*	**498,700**	537,422
Trade receivables	*22*	**378,467**	426,178
Bills receivable	*23*	**27,546**	41,855
Prepaid lease payments	*16*	**3,197**	3,473
Deposits, prepayments and other receivables	*24*	**200,230**	115,840
Amounts due from joint ventures	*25*	**120,408**	945
Tax recoverable		**134,847**	121,854
Derivative financial instruments	*20*	**24,847**	88,364
Structured deposits	*26*	**1,164,792**	1,442,333
Short-term deposits	*27*	**555,038**	270,186
Bank balances and cash	*28*	**562,739**	986,583
		3,670,811	4,035,033

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Current liabilities			
Trade payables	29	**322,509**	356,020
Bills payable	29	**–**	343
Other payables and accruals		**206,676**	215,863
Amounts due to joint ventures	25	**39,056**	–
Amount due to an associate	30	**589**	589
Tax payable		**168,853**	173,963
Derivative financial instruments	20	**40,632**	2,494
Obligations under finance leases	31	**128**	86
Bank borrowings	32	**2,194,906**	2,417,710
Bank overdraft	32	**49**	–
		2,973,398	3,167,068
Net current assets		**697,413**	867,965
Total assets less current liabilities		**2,733,525**	2,954,425
Non-current liabilities			
Obligations under finance leases	31	**55**	78
Bank borrowings	32	**–**	117,999
Deferred tax liabilities	33	**167,808**	181,998
Derivative financial instruments	20	**50,828**	5,750
Provision for long service payments	34	**3,303**	3,431
		221,994	309,256
Net assets		**2,511,531**	2,645,169
Capital and reserves			
Share capital	35	**30,562**	29,721
Share premium and reserves		**2,482,619**	2,616,623
Equity attributable to owners of the Company		**2,513,181**	2,646,344
Non-controlling interests		**(1,650)**	(1,175)
Total equity		**2,511,531**	2,645,169

The consolidated financial statements on pages 36 to 123 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

LAM FOO WAH
DIRECTOR

SO SIU HANG, PATRICIA
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Reserve funds HK$'000 *(Note i)*	Property revaluation reserve HK$'000 *(Note ii)*	Capital redemption reserve HK$'000	Hedging reserve HK$'000 *(Note iii)*	Other reserve HK$'000 *(Note iv)*	Accumulated profits HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	29,721	262,871	379,634	46,723	112,607	8,511	623	39,853	1,411,625	2,292,168	481	2,292,649
Profit (loss) for the year	–	–	–	–	–	–	–	–	194,483	194,483	(1,659)	192,824
Exchange differences arising on translation to presentation currency	–	–	90,114	–	–	–	–	–	–	90,114	54	90,168
Exchange differences arising on translation of joint ventures	–	–	667	–	–	–	–	–	–	667	–	667
Exchange differences arising on translation of foreign operations	–	–	803	–	–	–	–	–	–	803	(51)	752
Fair value gain on hedging instruments under cash flow hedges	–	–	–	–	–	–	181,699	–	–	181,699	–	181,699
Reclassified to profit or loss on realisation of cash flow hedges	–	–	–	–	–	–	(28,695)	–	–	(28,695)	–	(28,695)
Income tax relating to items that may be reclassified subsequently	–	–	–	–	–	–	(25,452)	–	–	(25,452)	–	(25,452)
Other comprehensive income for the year	–	–	91,584	–	–	–	127,552	–	–	219,136	3	219,139
Total comprehensive income (expense) for the year	–	–	91,584	–	–	–	127,552	–	194,483	413,619	(1,656)	411,963
Transfer to reserve funds	–	–	–	8,566	–	–	–	–	(8,566)	–	–	–
Dividends *(Note 13)*	–	–	–	–	–	–	–	–	(59,443)	(59,443)	–	(59,443)
	–	–	–	8,566	–	–	–	–	(68,009)	(59,443)	–	(59,443)
At 31 December 2013	29,721	262,871	471,218	55,289	112,607	8,511	128,175	39,853	1,538,099	2,646,344	(1,175)	2,645,169

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										Attributable to non-controlling interests HK$'000	Total HK$'000
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Reserve funds HK$'000 (Note i)	Property revaluation reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000	Hedging reserve HK$'000 (Note iii)	Other reserve HK$'000 (Note iv)	Accumulated profits HK$'000	Subtotal HK$'000		
At 1 January 2014	29,721	262,871	471,218	55,289	112,607	8,511	128,175	39,853	1,538,099	2,646,344	(1,175)	2,645,169
Profit (loss) for the year	–	–	–	–	–	–	–	–	101,468	101,468	(9,127)	92,341
Exchange differences arising on translation to presentation currency	–	–	(66,498)	–	–	–	–	–	–	(66,498)	215	(66,283)
Exchange differences arising on translation of joint ventures	–	–	(641)	–	–	–	–	–	–	(641)	–	(641)
Exchange differences arising on translation of foreign operations	–	–	(90)	–	–	–	–	–	–	(90)	(8)	(98)
Fair value gain on hedging instruments in cash flow hedges	–	–	–	–	–	–	(92,969)	–	–	(92,969)	–	(92,969)
Reclassified to profit or loss on realisation of cash flow hedges	–	–	–	–	–	–	(66,551)	–	–	(66,551)	–	(66,551)
Income tax relating to items that may be reclassified subsequently	–	–	–	–	–	–	26,355	–	–	26,355	–	26,355
Other comprehensive (expense) income for the year	–	–	(67,229)	–	–	–	(133,165)	–	–	(200,394)	207	(200,187)
Total comprehensive (expense) income for the year	–	–	(67,229)	–	–	–	(133,165)	–	101,468	(98,926)	(8,920)	(107,846)
Transfer to reserve funds	–	–	–	10,781	–	–	–	–	(10,781)	–	–	–
Shares issued as scrip dividends *(Note 35)*	841	24,785	–	–	–	–	–	–	(25,626)	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	14,000	14,000
Transferred upon deemed disposal of subsidiaries *(Note 46)*	–	–	(453)	–	–	–	–	–	453	–	(5,555)	(5,555)
Dividends declared and paid in cash *(Note 13)*	–	–	–	–	–	–	–	–	(34,237)	(34,237)	–	(34,237)
	841	24,785	(453)	10,781	–	–	–	–	(70,191)	(34,237)	8,445	(25,792)
At 31 December 2014	**30,562**	**287,656**	**403,536**	**66,070**	**112,607**	**8,511**	**(4,990)**	**39,853**	**1,569,376**	**2,513,181**	**(1,650)**	**2,511,531**

Notes:

(i) As stipulated by the relevant People's Republic of China ("PRC") laws and regulations, before distribution of the profit each year, the subsidiaries established in the PRC with limited liability shall set aside 10% of their net profit to the statutory surplus reserve. The statutory surplus reserve can only be used upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

(ii) Property revaluation reserve represents the revaluation reserve arising upon the transfer of owner-occupied property to investment property, net of deferred tax. The property revaluation reserve will be transferred to accumulated profits when the relevant properties are disposed of.

(iii) Hedging reserve represents cumulative fair value changes of foreign exchange forward contracts and interest rate swaps designated as effective hedging instruments under cash flow hedges.

(iv) Other reserve represents capitalisation of accumulated profits of a subsidiary as capital contribution to another subsidiary.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**123,241**	237,761
Adjustments for:		
Net reversal of allowance for inventory obsolescence	**(7,426)**	(4,226)
Net (reversal of allowance for) allowance for bad and doubtful debts	**(1,690)**	3,753
Amortisation of prepaid lease payments	**3,422**	3,444
Finance costs	**68,838**	62,643
Share of losses (profits) of joint ventures	**9,317**	(50)
Interest income	**(83,803)**	(80,227)
Increase in fair value of investment properties	**(56,751)**	(158,445)
Depreciation of property, plant and equipment	**73,351**	82,243
Loss (gain) on disposal of property, plant and equipment	**540**	(373)
Realisation of cash flow hedges reclassified from other comprehensive income	**(69,160)**	(28,695)
Impairment loss recognised in respect of amounts due from joint ventures	**13,451**	571
Impairment loss recognised in respect of deposits, prepayments and other receivables	**–**	1,589
Impairment loss recognised in respect of property, plant and equipment	**–**	460
Provision for long service payments	**–**	34
Unrealised loss (gain) on fair value changes in derivative financial instruments	**53,890**	(6,724)
Operating cash flows before movements in working capital	**127,220**	113,758
Decrease (increase) in inventories	**37,591**	(99,685)
Decrease (increase) in trade receivables	**15,857**	(10,114)
Decrease (increase) in bills receivable	**14,309**	(7,443)
(Increase) decrease in deposits, prepayments and other receivables	**(55,451)**	5,045
Increase in amounts due from joint ventures	**(15,003)**	–
(Decrease) increase in trade payables	**(33,511)**	38,518
Decrease in bills payable	**(343)**	(791)
Increase (decrease) in other payables and accruals	**1,022**	(2,804)
Increase in amounts due to joint ventures	**621**	–
Long service payments utilised	**(16)**	–
Net change in derivative financial instruments	**66,815**	46,549
Decrease (increase) in discounted bills with recourse	**8,182**	(2,077)
Net cash generated from operations	**167,293**	80,956
Hong Kong Profits Tax paid	**(17,732)**	(25,494)
Overseas taxes paid	**(14,106)**	(15,660)
NET CASH FROM OPERATING ACTIVITIES	**135,455**	39,802

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTE	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
New short-term deposits placed		**(408,692)**	(246,679)
Withdrawal of short-term deposits		**134,722**	429,808
New structured deposits placed		**(1,127,673)**	(1,388,176)
Withdrawal of structured deposits		**1,379,445**	877,634
Interest received		**68,863**	46,539
Advance to independent third parties		**(37,736)**	(25,316)
Repayment from an independent third party		**–**	72,521
Purchases of property, plant and equipment		**(56,951)**	(63,312)
Proceeds on disposal of property, plant and equipment		**321**	11,630
Additions to investment properties		**(15,656)**	(122,321)
Repayment from joint ventures		**480**	19
Advance to joint ventures		**(5,449)**	(772)
Net cash outflow on deemed disposal of subsidiaries	*46*	**(45,835)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(114,161)**	(408,425)
FINANCING ACTIVITIES			
Repayment to joint ventures		**(1,075)**	–
New bank borrowings raised		**1,345,913**	2,272,904
Repayment of bank borrowings		**(1,688,560)**	(1,591,537)
Interest paid		**(58,456)**	(54,690)
Bank charges paid		**(6,759)**	(6,575)
Capital contribution from non-controlling interest		**14,000**	–
Dividends paid by the Company		**(34,237)**	(59,443)
Repayments of obligations under finance leases		**(138)**	(162)
Interest paid on obligations under finance leases		**(21)**	(24)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(429,333)**	560,473
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(408,039)**	191,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**986,583**	767,037
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(15,854)**	27,696
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**562,690**	986,583
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**562,739**	986,583
Bank overdraft		**(49)**	–
		562,690	986,583

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed on page 125 to the annual report.

As at 31 December 2014, Hinton Company Limited and High Fashion Charitable Foundation Limited, companies ultimately owned by Mr. Lam Foo Wah ("Mr. Lam"), the Chairman and Managing Director of the Company, and Mr. Lam, collectively own 51.75% of ordinary shares of the Company and collectively hold the same percentage of the voting rights of the Company. Accordingly, Mr. Lam is considered as the ultimate controlling party of the Company.

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its major subsidiaries operates. For the purpose of the preparation of the consolidated financial statements and conveniences of the financial statements users, the results and financial position of the Group are presented in Hong Kong dollars ("HK$").

The Company acts as investment holding company. The principal activities of the Group are the manufacture, retailing and trading of garments.

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

Amendments to HKFRSs and the new interpretation that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the above amendments to HKFRSs and new interpretation in current year had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[4]
HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[5]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[1]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]

1 Effective for annual periods beginning on or after 1 July 2014.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

4 Effective for annual periods beginning on or after 1 January 2016.

5 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 Financial instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

New and revised HKFRSs in issue but not yet effective (Cont'd)

HKFRS 9 Financial instruments (Cont'd)

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

New and revised HKFRSs in issue but not yet effective (Cont'd)

HKFRS 9 Financial instruments (Cont'd)

The directors anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's available-for sale investments. Specifically, HKFRS 9 requires available-for-sale equity investments to be measured at fair values with changes in fair value being accounted for either in the profit or loss or other comprehensive income. In addition, the application of HKFRS 9 may also result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

In the opinion of the directors, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.32).

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in joint ventures (Cont'd)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue recognition

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

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

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

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

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

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 categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties (Cont'd)

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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 lease in which case the entire lease is classified as an 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

Leasehold land and building (Cont'd)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

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 recognised at the rates of exchanges 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 on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "translation reserve".

In relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of translating the operation to the functional currency of the Company attributable to the owners of the Company are reclassified to profit or loss. The cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests is derecognised, but is reclassified to profit or loss. On the other hand, the cumulative amount of the exchange differences relating to translation to presentation currency, recognised in other comprehensive income and accumulated in the separate component of equity, is not subsequently reclassified from equity to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Taxation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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 assets and liabilities 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 amounts of its assets and liabilities.

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Research and development expenditure

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

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

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis the intangible asset that is acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

The Group's financial assets include loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for loans and receivables.

Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL when it is a derivative that is not designated and effective as a hedging instrument; or it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in the profit or loss excludes any interest earned on the financial assets and is included in "other gains and losses" line item. Fair value is determined in the manner described in note 38.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amounts due from joint ventures, short-term deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified as loans and receivables or financial assets at FVTPL. The Group designated certain items of financial assets that are acquired for long term investments as available-for-sale financial assets.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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

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

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as financial liabilities at FVTPL when it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables, amounts due to joint ventures and an associate, bank overdraft and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to its fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedges of cash flow hedges, which are hedges of highly probable forecast transactions with external customers for foreign currency risk exposure and interest rate risk exposure associated with the Group's floating rate bank borrowings. For hedges of foreign currency exposure, the hedged item represents highly probable forecast transactions which are denominated in a currency other than the functional currency of respective group entities entering into the transactions and the foreign currency risk under the hedging arrangement will affect the profit or loss. For hedges of interest rate risk, the hedged item is the Group's floating rate bank borrowings and the risk being hedged represents the volatility in interest payments resulted from changes in interest rates.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derivative financial instruments and hedging (Cont'd)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expire or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Critical judgements in applying accounting policies (Cont'd)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model of which the objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of investment properties during the year to reflect the tax consequences through consuming the inherent economic benefits through use.

Classification of High Fashion New Media Corporation Limited as a joint venture

Note 18 describes that High Fashion New Media Corporation Limited is a joint venture of the Group although the Group owns 65% ownership interest in High Fashion New Media Corporation Limited. In making the judgment, the Group considered the counter claims between the Group, Hansen International Limited ("Hansen"), Ms Leong Ma Li Mary ("Ms Leong"), the beneficial owner of Hansen and chief executive officer of High Fashion New Media Corporation Limited, and Mr Lam Foo Wah and Mr Lam Gee Yu, Will, directors of High Fashion New Media Corporation Limited and directors of the Company as well as the High Court decision on 11 September 2014 which ordered that the Group has to hand over the finance chops and various items of Shenzhen Huijian Fashion Co. Ltd ("Huijian"), a major subsidiary of High Fashion New Media Corporation Limited, to Ms Leong's solicitor as stakeholder; and to revise the bank mandate of Huijian to the effect that one representative from each of Hansen and the Group shall form joint signatories of the bank accounts and operate them jointly. As a result of the High Court order, the Group concluded that it has joint control over High Fashion New Media Corporation Limited as decisions regarding the relevant activities require unanimous consent of both the Group and the other party to the joint venture.

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 within the next financial year.

Allowance for inventories

Management of the Group reviews aging analysis at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are not suitable for use in current production. Management estimates the net realisable value for such raw materials, work in progress and finished goods based primarily on the latest invoice prices and current market conditions. However, given the competitiveness of the industry, these prices may subsequently be affected. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for these items. At end of the reporting period, the carrying amount of inventories was HK$498,700,000 (2013: HK$537,422,000).

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For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Income taxes

The Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on certain group companies from the year of assessment 1999/2000 onwards. Since the tax audit is still at a fact-finding stage with different views being exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with reasonable accuracy. In cases where the tax charged by IRD is different from the estimated amounts, a material tax charge may arise (see note 10 for details). In the opinion of the directors, the provisions so made are adequate.

Allowance for trade receivables

Management of the Group reviews aging analysis, repayment history of its trade receivables and takes into consideration the estimation of future cash flows to determine allowance for trade receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables was HK$378,467,000 (net of allowance for doubtful debts of HK$23,814,000) (2013: carrying amount of HK$426,178,000, net of allowance for doubtful debts of HK$29,711,000).

Fair value of investment properties

Fair values of investment properties of the Group are quoted by independent qualified professional valuers. Upon application of HKFRS 13, the valuers have applied the highest and best use basis from the perspective of market participants. The valuation involves, inter-alia, certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential and redevelopment potential. In relying on the valuation, management has exercised judgment and is satisfied that the method of valuation is reflective of the current market conditions. As at 31 December 2014, the carrying amount of investment properties was HK$1,021,482,000 (2013: HK$959,403,000).

Allowance for amounts due from joint ventures

Management of the Group reviews the consolidated management accounts of the High Fashion New Media Corporation Limited, a joint venture of the Company, and also the management accounts of other joint ventures, and takes into consideration the estimated future cash flows to determine allowance for amounts due from the joint ventures. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, impairment loss may arise. As at 31 December 2014, the carrying amounts of amounts due from the High Fashion New Media Corporation Limited and its subsidiaries (the "New Media Group") and other joint ventures were HK$119,706,000 (net of allowance of HK$13,375,000) (2013: nil) and HK$702,000 (2013: HK$945,000), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. REVENUE

Revenue represents the amount received and receivable for goods sold by the Group, net of discount and sales related tax. An analysis of the Group's revenue is as follows:

	2014 HK$'000	2013 HK$'000
Manufacture and trading of garments	**2,497,293**	2,286,551
Brand business	**367,494**	520,110
	2,864,787	2,806,661

6. SEGMENT INFORMATION

Information reported to the chief operating decision maker, the Group's executive directors, for the purposes of resource allocation and performance assessment, is analysed based on the types of goods sold, including (i) manufacture and trading of garments and (ii) brand business, representing sales of branded garments developed by the Group, including results of the New Media Group.

The Group's operating and reporting segments are (i) manufacture and trading of garments and (ii) brand business.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2014

	Manufacture and trading of garments HK$'000	Brand business HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	2,497,293	367,494	2,864,787	–	2,864,787
Inter-segment sales *(Note)*	122,956	–	122,956	(122,956)	–
Segment revenue	2,620,249	367,494	2,987,743	(122,956)	2,864,787
RESULTS					
Segment profit (loss)	244,447	(49,350)	195,097	(3,018)	192,079
Finance costs					(68,838)
Profit before taxation					123,241

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 December 2013

	Manufacture and trading of garments HK$'000	Brand business HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	2,286,551	520,110	2,806,661	–	2,806,661
Inter-segment sales *(Note)*	179,498	–	179,498	(179,498)	–
Segment revenue	2,466,049	520,110	2,986,159	(179,498)	2,806,661
RESULTS					
Segment profit (loss)	333,436	(26,669)	306,767	(6,363)	300,404
Finance costs					(62,643)
Profit before taxation					237,761

Note: Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of finance costs. This is the measure reported to the Company's executive directors for the purposes of resources allocation and performance assessment. Furthermore, as the assets and liabilities for operating segments are not provided to the Company's executive directors for the purposes of resources allocation and performance assessment, no segment assets and liabilities are presented accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION (Cont'd)

Other segment information

For the year ended 31 December 2014

	Manufacture and trading of garments HK$'000	Brand business HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	67,356	5,995	73,351
Amortisation of prepaid lease payments	3,422	–	3,422
Net reversal of allowance for bad and doubtful debts	1,341	349	1,690
Net (allowance for) reversal of allowance for inventory obsolescence *(Note)*	(2,258)	9,684	7,426
Impairment losses in respect of amounts due from joint ventures	13,451	–	13,451
Fair value loss of derivative financial instruments	50,162	–	50,162
Increase in fair value of investment properties	56,751	–	56,751
Loss (gain) on disposal of property, plant and equipment	541	(1)	540
Share of losses of joint ventures	879	8,438	9,317

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

For the year ended 31 December 2013

	Manufacture and trading of garments HK$'000	Brand business HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	74,079	8,164	82,243
Amortisation of prepaid lease payments	3,444	–	3,444
Net allowance for (reversal of allowance for) bad and doubtful debts	3,965	(212)	3,753
Net reversal of allowance for (allowance for) inventory obsolescence *(Note)*	10,629	(6,403)	4,226
Impairment loss in respect of amount due from a joint venture	571	–	571
Net impairment loss in respect of property, plant and equipment	460	–	460
Impairment loss in respect of deposits, prepayments and other receivables	–	1,589	1,589
Fair value gain of derivative financial instruments	18,489	–	18,489
Increase (decrease) in fair value of investment properties	158,458	(13)	158,445
Gain (loss) on disposal of property, plant and equipment	1,386	(1,013)	373
Share of profits of joint ventures	50	–	50

Note: Allowance for obsolete inventory was written back when the relevant inventory was sold.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION (Cont'd)

Geographical information

The Group's operations are located in the United States of America ("USA"), Europe, Greater China and other areas.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		Non-current assets	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
USA	**1,255,466**	1,278,555	**671**	797
Europe	**568,764**	510,480	**1,698**	722
Greater China	**747,532**	781,667	**1,940,405**	1,930,237
Others	**293,025**	235,959	**8,477**	30
	2,864,787	2,806,661	**1,951,251**	1,931,786

Note: Non-current assets excluded investments in joint ventures, available-for-sale investments, deferred tax assets, deposit placed and prepayment of premium for a life insurance and derivative financial instruments.

Information about major customer

During the year ended 31 December 2014, there was a customer from manufacture and trading of garments segment contributed over 10% of the total revenue of the Group whose revenue was approximately HK$353 million (2013: HK$283 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
(Loss) gain on disposal of property, plant and equipment	**(540)**	373
Net reversal of allowance for (allowance for) bad and doubtful debts	**1,690**	(3,753)
Change in fair value of derivative financial instruments	**(50,162)**	18,489
Net foreign exchange (loss) gain	**(13,058)**	21,420
Increase in fair value of investment properties	**56,751**	158,445
Impairment losses recognised		
– property, plant and equipment, net	**–**	(460)
– amounts due from joint ventures	**(13,451)**	(571)
– deposits, prepayments and other receivables	**–**	(1,589)
	(18,770)	192,354

8. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interests on:		
Bank borrowings and overdrafts wholly repayable within five years *(Note)*	**62,058**	56,044
Finance leases	**21**	24
Bank charges	**6,759**	6,575
	68,838	62,643

Note: Included loss on realisation of cash flow hedges reclassified from other comprehensive income of HK$2,609,000 (2013: HK$1,414,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. DIRECTORS' EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of nine (2013: seven) directors are as follows:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Total emoluments HK$'000
2014					
Lam Foo Wah	**200**	**5,070**	**17**	**2,900**	**8,187**
So Siu Hang, Patricia	**200**	**2,405**	**17**	**1,400**	**4,022**
Lam Gee Yu, Will *(Note)*	**150**	**1,140**	**17**	**800**	**2,107**
Lam Din Yu, Well *(Note)*	**150**	**1,005**	**17**	**800**	**1,972**
Chan Wah Tip, Michael	**200**	**–**	**–**	**–**	**200**
Woo King Wai	**200**	**–**	**–**	**–**	**200**
Wong Shui Hoi, Peter	**200**	**–**	**–**	**–**	**200**
Leung Hok Lim	**200**	**–**	**–**	**–**	**200**
Yeung Kwok Wing	**200**	**–**	**–**	**–**	**200**
Total for 2014	**1,700**	**9,620**	**68**	**5,900**	**17,288**

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Total emoluments HK$'000
2013					
Lam Foo Wah	200	5,070	15	3,500	8,785
So Siu Hang, Patricia	200	2,405	15	1,300	3,920
Chan Wah Tip, Michael	200	–	–	–	200
Woo King Wai	200	–	–	–	200
Wong Shui Hoi, Peter	200	–	–	–	200
Leung Hok Lim	200	–	–	–	200
Yeung Kwok Wing	200	–	–	–	200
Total for 2013	1,400	7,475	30	4,800	13,705

Note: Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well were appointed as directors with effect from 1 April 2014.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

9. DIRECTORS' EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS (Cont'd)

Directors' emoluments (Cont'd)

The performance related incentive payment is determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

Mr. Lam Foo Wah is also the Managing Director of the Company and his emoluments disclosed above include those for services rendered by him as the Managing Director.

During both years, no emolument was paid by the Group to the directors as compensation for loss of office or an inducement to join or upon joining the Group. None of the directors has waived any emoluments in both years.

Employee's emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: two) are directors whose emoluments are disclosed above. The emoluments of the remaining two (2013: three) individuals are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**3,198**	4,830
Retirement benefits scheme contributions	**34**	45
Performance related incentive payments	**4,300**	2,600
	7,532	7,475

Their emoluments are within the following bands:

	2014 No. of employees	2013 No. of employees
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	2
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
	2	3

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. INCOME TAX EXPENSES

	2014 HK$'000	2013 HK$'000
Current tax charge:		
Hong Kong	**4,994**	8,300
PRC	**6,474**	13,404
Other jurisdictions	**115**	167
	11,583	21,871
Under (over) provision in prior years:		
Hong Kong	**543**	(6,111)
PRC	**1,770**	6,488
Other jurisdictions	**(40)**	303
	2,273	680
Deferred taxation *(Note 33)*:		
Current year	**28,455**	27,190
Reclassification from other comprehensive income	**(11,411)**	(4,804)
	17,044	22,386
	30,900	44,937

The IRD has initiated a tax audit on certain group companies from the year of assessment 1999/2000 onwards. As a matter of IRD's practice, the IRD has issued estimated/additional assessments ("Assessments") demanding for tax to the relevant group companies for the years of assessment 1999/2000 to 2007/2008. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years be issued by the IRD to these group companies.

Up to 31 December 2014, the Group has purchased tax reserve certificates of approximately HK$134,094,000 (2013: HK$121,101,000) for conditional standover order of objection against the Assessments for the years of assessment 1999/2000 to 2007/2008 and the amount is included in tax recoverable.

Since the tax audit is still at a fact-finding stage with different views being exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with reasonable accuracy. Management has in the current year followed the same basis for making provision as adopted in prior years. In the opinion of the directors, the provisions so made are adequate for the purpose mentioned above.

Other than the tax audit, one of the companies of the Group has also purchased a tax reserve certificate of approximately HK$753,000 (2013: HK$753,000) for conditional standover order of objection against the Assessment for the year of assessment 2006/2007 and the amount is included in tax recoverable.

Notes to the Consolidated Financial Statements

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10. INCOME TAX EXPENSES (Cont'd)

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

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% from 1 January 2008 onwards, except for High Fashion Silk (Zhejiang) Co., Ltd. and High Fashion (China) Co., Ltd. which had been recognised as advanced technology enterprises by the PRC tax Bureau in 2012 and 2014, respectively. They are subject to an income tax rate of 15% for three years starting from the year being recognised as advanced technology enterprises.

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

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit before taxation	**123,241**	237,761
Tax at the income tax rate of 16.5%	**20,335**	39,231
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,689**	3,559
Tax effect of share of results of joint ventures	**1,537**	(8)
Tax effect of income not taxable for tax purpose	**(6,302)**	(7,863)
Tax effect of expenses not deductible for tax purpose	**10,686**	12,143
Tax effect of deferred tax assets not recognised	**11,427**	6,544
Withholding tax on undistributed earnings of the PRC subsidiaries *(Note 33)*	**10,600**	12,000
Utilisation of tax losses previously not recognised	**(19,578)**	(15,570)
Underprovision in prior years	**2,273**	680
Tax relief in relation to additional tax deductions on research and development costs incurred and amount spent on acquisition of plant and equipment made in the PRC	**(6,041)**	(6,600)
Others	**1,274**	821
Income tax expenses	**30,900**	44,937

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2014 HK$'000	2013 HK$'000
Costs of inventories recognised as expenses (included in cost of sales) *(Note i)*	**2,159,585**	2,174,428
Depreciation and amortisation		
Owned assets	**73,264**	82,126
Leased assets	**87**	117
Amortisation of prepaid lease payments	**3,422**	3,444
	76,773	85,687
Net reversal of allowance for inventory obsolescence (included in cost of sales) *(Note ii)*	**(7,426)**	(4,226)
Auditor's remuneration	**4,141**	3,756
Minimum lease payments in respect of land and buildings	**22,125**	35,137
Contingent rental expense *(Note iii)*	**11,310**	22,776
Staff costs (including directors' emoluments)		
Wages, salaries and bonuses	**584,092**	589,260
Retirement benefits scheme contributions	**17,967**	16,742
	602,059	606,002
Realisation of cash flow hedges reclassified from other comprehensive income	**(69,160)**	(30,109)
Realisation of cash flow hedges reclassified from other comprehensive income (included in finance costs)	**2,609**	1,414
Research and development costs recognised as expenses (included in cost of sales)	**73,223**	80,005
Gross rental income from investment properties (included in other income)	**(29,303)**	(29,927)
Less: Outgoings for investment properties rented out	**4,399**	4,803
Net rental income	**(24,904)**	(25,124)
Government grants (included in other income) *(Note iv)*	**(7,810)**	(10,795)
Interest income earned on loans and receivables (included in other income)		
– bank interest income	**(39,807)**	(32,440)
– interest income on other receivables	**(825)**	(4,597)
	(40,632)	(37,037)
Interest income earned on financial assets at FVTPL (included in other income)		
– interest income from structured deposits	**(43,171)**	(43,190)

Notes to the Consolidated Financial Statements

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11. PROFIT FOR THE YEAR (Cont'd)

Notes:

(i) The amounts have been arrived at before deducting net reversal of allowance for inventory obsolescence of HK$7,426,000 (2013: HK$4,226,000).

(ii) Allowance for inventory obsolescence is written back when the relevant inventory is sold.

(iii) Contingent rental expenses are determined based on a certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

(iv) The amounts represent subsidies received from PRC government for the purposes of encouraging the Group to expand its business in the PRC. There are no conditions attached to the subsidies granted to the Group and the grants are not related to capital expenditures.

12. OTHER COMPREHENSIVE (EXPENSE) INCOME

	2014 HK$'000	2013 HK$'000
Cash flow hedges:		
Fair value (loss) gain on hedging instruments	**(92,969)**	181,699
Reclassification adjustments upon recognition of hedged items in profit or loss	**(66,551)**	(28,695)
	(159,520)	153,004
Exchange differences arising on translation of joint ventures	**(641)**	667
Exchange differences arising on translation to presentation currency	**(66,283)**	90,168
Exchange differences arising on translation of foreign operations	**(98)**	752
Other comprehensive (expense) income	**(226,542)**	244,591
Income tax relating to components of other comprehensive (expense) income:		
– fair value changes on hedging instruments under cash flow hedges	**14,944**	(30,256)
– reclassification adjustments of fair value changes on hedging instruments to profit or loss	**11,411**	4,804
	26,355	(25,452)
Other comprehensive (expense) income for the year, net of tax	**(200,187)**	219,139

Notes to the Consolidated Financial Statements

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13. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Dividends recognised as distribution and paid during the year:		
Interim dividend – 5 HK cents per ordinary share for 2014 (2013: 5 HK cents for 2013)	**15,281**	14,861
Final dividend – 15 HK cents per ordinary share for 2013 (2013: 15 HK cents for 2012)	**44,582**	44,582
	59,863	59,443

The final dividend of 15 HK cents per ordinary share in respect of the financial year ended 31 December 2013, which included scrip dividend elected by shareholders as an alternative for cash, was distributed to shareholders on 11 July 2014 as follows:

	2014 HK$'000
Dividends distributed by cash	**18,956**
Dividends distributed by shares	**25,626**
	44,582

The final dividend of 5 HK cents (2013: 15 HK cents) per ordinary share was proposed by the directors and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
Earnings for the purpose of basic earnings per share attributable to owners of the Company	**101,468**	194,483

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**301,218,825**	297,213,550

No presentation of diluted earnings per share as there is no potential ordinary shares outstanding during both years or at the end of the respective reporting periods.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land (in Hong Kong) HK$'000	Buildings (in Hong Kong) HK$'000	Buildings (outside Hong Kong) HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST									
At 1 January 2013	5,058	13,886	610,434	5,161	160,063	563,485	180,241	30,614	1,568,942
Additions	–	–	18,293	18,006	6,899	8,548	9,957	1,609	63,312
Transfers	–	–	–	(17,210)	467	12,936	3,807	–	–
Disposals	–	–	–	–	(27,824)	(18,755)	(1,225)	(1,680)	(49,484)
Exchange realignment	–	–	18,805	364	4,983	16,237	4,869	669	45,927
At 31 December 2013	5,058	13,886	647,532	6,321	144,588	582,451	197,649	31,212	1,628,697
Additions	–	–	1,708	32,548	3,779	8,602	6,447	4,035	57,119
Transfers	–	–	1,861	(31,368)	6,884	18,364	4,259	–	–
Disposals	–	–	–	–	–	(6,138)	(1,130)	(3,631)	(10,899)
Disposal of subsidiaries	–	–	–	–	(13,840)	(1,494)	(1,599)	–	(16,933)
Exchange realignment	–	–	(12,182)	(147)	(2,635)	(11,841)	(3,521)	(478)	(30,804)
At 31 December 2014	**5,058**	**13,886**	**638,919**	**7,354**	**138,776**	**589,944**	**202,105**	**31,138**	**1,627,180**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2013	1,384	4,789	99,469	91	131,413	339,521	132,668	23,077	732,412
Provided for the year	105	278	14,883	–	10,327	41,878	12,278	2,494	82,243
Eliminated on disposals	–	–	–	–	(27,742)	(16,493)	(1,141)	(1,546)	(46,922)
Impairment loss (reversal of impairment loss) recognised in profit or loss	–	–	–	–	238	253	26	(57)	460
Exchange realignment	–	–	3,567	49	3,083	9,301	3,409	488	19,897
At 31 December 2013	1,489	5,067	117,919	140	117,319	374,460	147,240	24,456	788,090
Provided for the year	105	277	15,262	–	8,115	35,500	11,605	2,487	73,351
Eliminated on disposals	–	–	–	–	–	(5,812)	(1,034)	(3,192)	(10,038)
Eliminated on disposal of subsidiaries	–	–	–	–	(11,282)	(587)	(1,010)	–	(12,879)
Exchange realignment	–	–	(2,336)	(42)	(1,888)	(7,864)	(2,554)	(343)	(15,027)
At 31 December 2014	**1,594**	**5,344**	**130,845**	**98**	**112,264**	**395,697**	**154,247**	**23,408**	**823,497**
CARRYING VALUES									
At 31 December 2014	**3,464**	**8,542**	**508,074**	**7,256**	**26,512**	**194,247**	**47,858**	**7,730**	**803,683**
At 31 December 2013	3,569	8,819	529,613	6,181	27,269	207,991	50,409	6,756	840,607

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15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The carrying value of leasehold land and buildings comprises of properties located on:

	2014 HK$'000	2013 HK$'000
Medium-term leases:		
Land and buildings in Hong Kong	**12,006**	12,388
Buildings outside Hong Kong	**508,074**	529,613
	520,080	542,001

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

Land and buildings	2% to 5% or over remaining lease term if shorter
Leasehold improvements	The shorter of lease terms and 5 years
Plant and equipment	9% to 20%
Furniture and fixtures	9% to 25%
Motor vehicles	15% to 25%

The carrying value of the motor vehicles includes an amount of HK$333,000 (2013: HK$354,000) in respect of assets held under finance leases.

16. PREPAID LEASE PAYMENTS

	2014 HK$'000	2013 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land outside Hong Kong	**129,283**	135,249
Analysed for reporting purposes as:		
Non-current assets	**126,086**	131,776
Current assets	**3,197**	3,473
	129,283	135,249

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17. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment properties held for development/ under construction HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2013	665,576	–	665,576
Additions	2,018	120,303	122,321
Increase in fair value recognised in profit or loss (included in other gains and losses) – unrealised	151,490	6,955	158,445
Exchange realignment	12,972	89	13,061
At 31 December 2013	832,056	127,347	959,403
Additions	**1,464**	**14,192**	**15,656**
Increase in fair value recognised in profit or loss (included in other gains and losses) – unrealised	**53,687**	**3,064**	**56,751**
Exchange realignment	**(7,924)**	**(2,404)**	**(10,328)**
At 31 December 2014	**879,283**	**142,199**	**1,021,482**

The carrying value of investment properties shown above comprises:

	2014 HK$'000	2013 HK$'000
Land and buildings in Hong Kong		
– under medium-term lease	**460,000**	412,000
Land and buildings outside Hong Kong		
– under medium-term leases	**373,069**	379,513
– under long leases	**188,413**	167,890
	1,021,482	959,403

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

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For the year ended 31 December 2014

17. INVESTMENT PROPERTIES (Cont'd)

At 31 December 2014, investment properties held for development represents a vacant land of HK$108,176,000 (2013: HK$109,559,000) located in the PRC and the Group is in the process of obtaining the land use right certificate.

The fair value of the Group's investment properties at 31 December 2014 and 2013 have been arrived at on the basis of a valuation carried out by Centaline Surveyors Limited, 新昌信安達資產評估有限公司 and 深圳市戴德梁行土地房地產評估有限公司, which are independent qualified professional valuers not connected with the Group. Centaline Surveyors Limited are members of the Institute of Valuers and 新昌信安達資產評估有限公司 and 深圳市戴德梁行土地房地產評估有限公司 are certified public valuers in the PRC.

For the completed investment properties, the valuations were arrived at by making reference to market evidence of transaction prices for similar properties in similar locations and conditions or on the basis of capitalisation of net income with due allowance for the reversionary income and redevelopment potential. The net income is the market rentals of all lettable units of the properties and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by making reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by making reference to the yields derived from analysing the sales transactions of similar properties in the relevant locations and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

For the investment properties held for development, for which management has yet to complete and obtain approval for building development plan, valuation was arrived at by making reference to comparable market sale and purchase transactions of vacant land.

For the investment properties under construction, residual method of valuation was adopted. The value is based on the development potential of the properties as if they were completed in accordance with the existing construction plan at the date of valuation. The value has also taken into consideration all costs of construction and expected developed profit margin, which has duly reflected the risks associated with the construction.

There has been no change from the valuation techniques used in the prior year for completed investment properties and investment properties held for development. For the investment properties under construction, the foundation construction started in prior year with finalisation of construction plan during the year, and as such, the valuation technique has been changed from comparison approach to residual method.

In estimating the fair value of the completed properties, the highest and best use of the properties is their current use.

In estimating the fair value of investment properties held for development/under construction, management has taken into account the highest and best use of the properties from the perspective of market participants, taking into account the future development potential of the properties.

The Group's investment properties are categorised into level 3 of the fair value hierarchy. At the end of each reporting period, the chief financial officer ("CFO") works closely with the independent qualified professional valuers to establish and determine the appropriate valuation techniques and inputs to be used in determining the fair value of the investment properties. Discussions on valuation processes and results are held between CFO and the directors of the Company at least twice a year.

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17. INVESTMENT PROPERTIES (Cont'd)

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

Description	Fair value as at 2014 HK$'000	Fair value as at 2013 HK$'000	Valuation techniques	Unobservable inputs	Significant inputs	Relationship of inputs to fair value
Office premises – Hong Kong	**460,000**	412,000	Comparison approach	Market price per square foot	HK$5,200 (2013: HK$5,100) per square foot in average and adjusting for age, location, condition and surrounding facilities of the properties	The higher the market price, the higher the fair value
– Shenzhen	**154,390**	150,102	Income capitalisation approach	(i) Capitalisation rate taking into account the capitalisation of rental income potential and nature of properties	5% (2013: 5%)	The higher the capitalisation rate, the lower the fair value
				(ii) Monthly market rent per square meter	RMB122 (2013: RMB117) per month per square meter in average	The higher the market rent, the higher the fair value
Retail premises in Xinchang	**264,893**	269,954	Income capitalisation approach	(i) Capitalisation rate taking into account the capitalisation of rental income potential and nature of properties	5.4% (2013: 5.3%)	The higher the capitalisation rate, the lower the fair value
				(ii) Monthly market rent per square meter	RMB291 (2013: RMB292) per month per square meter in average	The higher the market rent, the higher the fair value
Investment properties under construction: – Xinchang	**34,023**	17,788	For 2014: Residual approach	(i) Capitalisation rate	5.4% (2013: 5.3%)	The higher the capitalisation rate, the lower the fair value
				(ii) Monthly market rent per square meter	RMB291 (2013: N/A) per month per square meter in average	The higher the market rent, the higher the fair value
			For 2013: Comparison approach	Market price per square meter	RMB10,590 per square meter and adjusting for location, condition and surrounding facilities of the properties	The higher the market price, the higher the fair value
Investment properties held for development: – Tonglu	**108,176**	109,559	Comparison approach	Market price per square meter	RMB1,374 (2013: RMB1,365) per square meter in average and adjusting for location, condition and surrounding facilities of the properties	The higher the market price, the higher the fair value
	1,021,482	959,403				

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For the year ended 31 December 2014

18. INVESTMENTS IN JOINT VENTURES

	2014 HK$'000	2013 HK$'000
Cost/carrying value of unlisted investments in joint ventures	**21,595**	9,982
Share of post-acquisition (losses) profits	**(4,504)**	4,813
Exchange realignment	**4,824**	5,465
	21,915	20,260

At 31 December 2014, included in investments in joint ventures is an interest in High Fashion New Media Corporation Limited of HK$2,939,000 which comprises of the fair value of the interests in joint ventures on initial recognition of HK$11,613,000 and share of post-acquisition loss of HK$8,438,000 and other comprehensive expense of HK$236,000.

An agreement was entered into on 26 November 2013 by Hansen, an independent third party to the Company and the Group to form High Fashion New Media Corporation Limited. The Group held 65% equity interests in, and 67% voting power of, High Fashion New Media Corporation Limited and New Media Group became non-wholly owned subsidiaries of the Group, with Hansen's interest therein accounted for as non-controlling interest of the Group. The Group still retained control over the New Media Group after the dilution by virtue of the Group's voting power in High Fashion New Media Corporation Limited.

Since August 2014, there were disputes amongst the Group, Hansen, Ms Leong, the beneficial owner of Hansen and chief executive officer of High Fashion New Media Corporation Limited, and Mr Lam Foo Wah and Mr Lam Gee Yu, Will, directors of High Fashion New Media Corporation Limited and directors of the Company, leading to various claims and counter claims between these parties. Since then, the Group has not been able to access the entire set of books and records of the New Media Group. On 11 September 2014, the High Court of the Hong Kong Special Administrative Region made an interim order to the Group to hand over the finance chops and various items of Huijian, a major subsidiary of High Fashion New Media Corporation Limited, to Ms Leong's solicitor as stakeholder; and to revise the bank mandate of Huijian to the effect that one representative from each of Hansen and the Group shall form joint signatories of the bank accounts and operate them jointly. As a result of the High Court order, the New Media Group has became effectively jointly controlled by the Group and Hansen as decisions regarding the relevant activities of the New Media Group effectively require unanimous consent of both the Group and Hansen. Accordingly, the Group has accounted for its interest in High Fashion New Media Corporation Limited as a joint venture since 11 September 2014. The fair value of the Group's interest in High Fashion New Media Corporation Limited as a joint venture on the date of initial recognition was determined by discounted cash flow analysis which approximates the net asset value of the New Media Group.

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18. INVESTMENTS IN JOINT VENTURES (Cont'd)

As at 31 December 2014 and 2013, the Group had interests in the following joint ventures:

Name	Form of business structure	Place of registration and operations	Percentage of						Principal activities
			Ownership interest		Voting power		Profit sharing		
			2014 %	2013 %	2014 %	2013 %	2014 %	2013 %	
Hangzhou Dalifu Silk Finishing Co., Ltd. *(Note i)*	Incorporated	PRC	**51**	51	**50**	50	**51**	51	Dyeing, printing and sandwashing of fabric
Suzhou High Fashion Garment Co., Ltd. ("Suzhou High Fashion") *(Notes i & iii)*	Incorporated	PRC	**51**	51	**60**	60	**51**	51	Garment manufacturing
The Silk Passion Company Limited ("Silk Passion") *(Notes ii & iii)*	Incorporated	Hong Kong	**51**	51	**60**	60	**51**	51	Trading, marketing and promoting silk products
Flaming China Limited	Incorporated	Hong Kong	**50**	50	**50**	50	**50**	50	Inactive
High Fashion New Media Corporation Limited	Incorporated	Hong Kong	**65**	N/A	**67**	N/A	**65**	N/A	Investment holding
Longford Information & Technology Co., Limited *(Note iv)*	Incorporated	PRC	**65**	N/A	**67**	N/A	**65**	N/A	E-commerce
Will Top Resources Limited *(Note iv)*	Incorporated	Hong Kong	**65**	N/A	**67**	N/A	**65**	N/A	Investment holding
Angel Star Investment Limited *(Note iv)*	Incorporated	Hong Kong	**65**	N/A	**67**	N/A	**65**	N/A	Holding of trademarks
Stage II Limited *(Note iv)*	Incorporated	Hong Kong	**65**	N/A	**67**	N/A	**65**	N/A	Garment trading
Theme (SZ) Limited *(Note iv)*	Incorporated	BVI	**65**	N/A	**67**	N/A	**65**	N/A	Inactive
Da Fu Li Co., Limited *(Note iv)*	Incorporated	Taiwan	**65**	N/A	**67**	N/A	**65**	N/A	Garment retailing
Theme Fashion (Singapore) Pte. Ltd. *(Note iv)*	Incorporated	Singapore	**65**	N/A	**67**	N/A	**65**	N/A	Garment retailing
Huijian *(Note iv)*	Incorporated	PRC	**65**	N/A	**67**	N/A	**65**	N/A	Garment retailing

Notes to the Consolidated Financial Statements

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18. INVESTMENTS IN JOINT VENTURES (Cont'd)

Notes:

(i) These joint ventures provide subcontracting services to the Group during both years.

(ii) This joint venture aims to enter into the fashion market in France.

(iii) The Group holds 51% of the registered capital and 60% voting power of Suzhou High Fashion and Silk Passion. However, under the terms of memorandum and articles of association of Suzhou High Fashion and joint venture agreement of Silk Passion, all significant events including operating and financial decisions must require unanimous consent by the Group and the other shareholder. Therefore, Suzhou High Fashion and Silk Passion are classified as joint ventures of the Group.

(iv) These entities are subsidiaries of High Fashion New Media Corporation Limited.

The consolidated summarised financial information of New Media Group is set out below and it represents the amounts shown in the New Media Group's unaudited consolidated management accounts prepared based on the information available to the Group, which are incomplete as the Group cannot fully access the financial books and records of New Media Group as mentioned above:

	2014 HK$'000
Current assets	136,692
Non-current assets	4,015
Current liabilities	136,185
Income recognised in profit or loss	23,337
Expenses recognised in profit or loss	36,318
Group's share of losses of New Media Group for the period from 11 September 2014 to 31 December 2014	8,438

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18. INVESTMENTS IN JOINT VENTURES (Cont'd)

In the opinion of the directors, joint ventures other than the New Media Group are not individually material to the Group for both years and therefore no separate disclosure on summarised financial information of these joint ventures is presented. The aggregate financial information of all individually immaterial joint ventures which are accounted for using the equity method is set out below:

	2014 HK$'000	2013 HK$'000
Current assets	**40,506**	46,471
Non-current assets	**13,146**	15,643
Current liabilities	**16,445**	22,388
Income recognised in profit or loss	**47,566**	56,393
Expenses recognised in profit or loss	**49,290**	56,295
Group's share of (losses) profits of joint ventures for the year	**(879)**	50

The Group has discontinued recognition of its share of losses of certain joint ventures. The amount of unrecognised share of results of these joint ventures is as follows:

	2014 HK$'000	2013 HK$'000
Unrecognised share of losses of joint ventures for the year	**338**	1,732
Accumulated unrecognised share of losses of these joint ventures	**8,222**	7,884

At the end of both reporting periods, the Group has no commitment to fund the losses in relation to its investments in any of the joint ventures.

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19. DEPOSIT PLACED AND PREPAYMENT OF PREMIUM FOR A LIFE INSURANCE

During the year ended 31 December 2010, the Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is High Fashion Garments Management Limited ("HFGML"), a wholly owned subsidiary of the Company, and the total insured sum is approximately US$10,000,000 (equivalent to HK$77,500,000). HFGML paid a gross premium of US$3,582,000 (equivalent to HK$27,763,000), including a premium charge at inception of the policy amounting to US$214,941 (equivalent to HK$1,666,000). HFGML may request a partial surrender or full surrender of the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified surrender charge. At the inception date, the gross premium was separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay HFGML a guaranteed interest rate of 5.2% per annum for the first year, followed by minimum guaranteed interest rate of 3% per annum for the following years.

The effective interest rate for the deposit placed on initial recognition is 4.61% per annum, which was determined by discounting the estimated future cash receipts through the expected life of the policy of 15 years, excluding the financial effect of surrender charge. At 31 December 2014, the expected life of the policy remained unchanged from the initial recognition and the directors considered that the financial impact of the option to terminate the policy was insignificant.

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20. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 HK$'000	2013 HK$'000
Financial assets		
Cash flow hedges		
– Foreign exchange forward contracts	**24,905**	154,269
– Interest rate swap	**–**	112
	24,905	154,381
Other derivatives (not under hedge accounting)		
– Knock out forward contract	**–**	817
– Capped forward contract	**289**	454
	289	1,271
	25,194	155,652
Financial liabilities		
Cash flow hedges		
– Foreign exchange forward contracts	**30,363**	–
– Interest rate swaps	**1,098**	754
	31,461	754
Other derivatives (not under hedge accounting)		
– Dual currency interest rate swap	**8,468**	6,682
– Knock out forward contracts	**42,778**	–
– Capped forward contracts	**8,753**	808
	59,999	7,490
	91,460	8,244
Analysed for reporting purposes as:		
Non-current assets	**347**	67,288
Current assets	**24,847**	88,364
	25,194	155,652
Non-current liabilities	**50,828**	5,750
Current liabilities	**40,632**	2,494
	91,460	8,244

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20. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges

Foreign exchange forward contracts

The Group designates foreign exchange forward contracts as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency highly probable forecast sales to end customers denominated in United States Dollars ("US$") by entering into foreign exchange forward contracts to sell US$ for RMB. Management considers the hedges from the Group's perspective are effectively hedging its sales to end customers.

At the end of the reporting period, the Group has outstanding foreign exchange forward contracts with an aggregate notional amount of US$407 million (2013: US$394 million) that require the Group to sell US$ for RMB at exchange rates ranging from RMB6.192 to RMB6.532 (2013: RMB6.407 to RMB6.442) for US$1 with maturity periods up to 36 months (2013: 24 months) from the end of the respective reporting periods. The terms of the foreign exchange contracts have been negotiated based on the estimation of the highly probable forecast sales.

As at 31 December 2014, the cumulative net fair value loss of approximately HK$5,458,000 (2013: fair value gain of HK$154,269,000) recognised in other comprehensive income and accumulated in hedging reserve is expected to be released to the profit or loss at various dates from January 2015 to December 2017 (2013: January 2014 to December 2015), the period in which the forecast sales are expected to take place. Included in the cumulative net fair value loss was HK$30,016,000 cumulative loss (2013: HK$66,728,000 cumulative gain) that is expected to be reclassified to profit or loss in more than twelve months after the end of the reporting period.

During the year, the effective portion of cash flow hedges on foreign currency forward contracts amounting to cumulative gain of HK$69,160,000 (2013: HK$30,109,000) is reclassified from other comprehensive income upon occurrence of the sales to end customers which affects the profit or loss.

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to volatility in interest payments relating to certain floating rate bank borrowings which linked to Hong Kong Interbank Offered Rate ("HIBOR"). The floating-to-fixed interest rate swaps lock the interest rates at rates ranging from 1.46% to 2.66% (2013: 1.95% to 3.06%) per annum. The interest rate swaps match the major terms of the hedged underlying bank borrowings such that management considers that the interest rate swaps are highly effective hedging instruments.

As at 31 December 2014, the fair value loss of HK$433,000 (2013: HK$642,000) of interest rate swap contracts has been recognised in other comprehensive income and accumulated in hedging reserve, and is expected to be released to profit or loss at various dates during the lives of the swaps when the hedged interest expenses are recognised and impact profit or loss. The aggregate notional amount of interest rate swap contracts is HK$1,250,000,000 (2013: HK$1,450,000,000) and will mature within one year after the end of the reporting period.

20. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges (Cont'd)

Interest rate swaps (Cont'd)

The effective portion of cash flow hedges on interest rate swaps amounting to cumulative loss of HK$2,609,000 (2013: HK$1,414,000) is reclassified from other comprehensive income to profit or loss and is included in finance costs during the year.

Other derivatives (not under hedge accounting)

Dual currency interest rate swap

The amount represents fair value of a dual currency interest rate swap. In accordance with the agreement, the Group shall pay fixed interest of 1% per annum on the notional amount of HK$70 million on 20 January 2014 and 2.1% per annum annually from 20 January 2014 to 20 January 2019. In return, the Group shall receive floating interest at HIBOR on the notional amount of HK$70 million quarterly from 20 April 2012 to 20 January 2019. In addition, the Group shall pay or receive interest on the notional amount of US$9,014,000 annually based on the formula set out in the agreement, while the interest rate that the Group may be required to pay is capped as 2% per annum. The net fair value loss, including interim settlement during the year, of HK$1,451,000 (2013: fair value gain of HK$3,353,000) is recognised in profit or loss.

Knock out forward contracts

The amount represents the fair value of knock out non-deliverable forward contracts with aggregate notional amount of US$98 million (2013: US$24 million) to sell US$1 million or US$0.5 million (2013: US$1 million), on a monthly interval from January 2015 to February 2017 (2013: January 2014 to December 2015), for RMB at the contracted rates of US$1 for RMB6.13 to RMB6.21 (2013: US$1 for RMB6.2) where the spot rate on the settlement date is below or at the contracted rate. Where the spot rate is above the contracted rate, the Group has to sell double the amount of US$ for RMB at the contracted rate. The contracts will be terminated when the cumulative spot rate at each settlement date exceeds the contracted forward rate by a specific amount set out in the agreements.

The net fair value loss, including the net loss on those contracts entered into and settled during the year, of HK$43,181,000 (2013: net fair value gain of HK$5,315,000) is recognised in profit or loss.

Capped forward contracts

The amount represents fair value of capped forward contracts with aggregate notional amount of US$25 million (2013: US$91 million). The Group shall pay if the spot rate of RMB vs US$ is above the upper contract rate or receive if the spot rate of RMB vs US$ is below the lower contract rate specified in the relevant agreements on the settlement date. Where the spot rate is above the upper contract rate on the settlement date, the Group shall pay double the amount to respective banks. Where the spot rate falls within the upper and lower contract rates, no settlement will be required. The aforesaid upper and lower contract rates in the relevant agreements are ranging from RMB6.28 to RMB6.48 vs US$1 and RMB5.98 to RMB6.44 vs US$1 (2013: RMB6.27 to RMB6.48 vs US$1 and RMB6.206 to RMB6.44 vs US$1) respectively. The contracts will be settled in various dates from January 2015 to July 2016 (2013: January 2014 to December 2015).

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20. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Other derivatives (not under hedge accounting) (Cont'd)

Capped forward contracts (Cont'd)

The net fair value loss, including the net loss on those contracts entered into and settled during the year, of HK$5,530,000 (2013: net fair value gain of HK$8,582,000) is recognised in profit or loss.

The above derivatives are measured at fair value at the end of the reporting period. Their fair values are determined based on the valuation carried out by financial institutions, which are measured using the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and quoted forward exchange rates at the end of the reporting period. Details are set out in note 38.

21. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**155,264**	173,126
Work in progress	**144,368**	158,075
Finished goods	**137,894**	171,767
	437,526	502,968
Properties under development	**61,174**	34,454
	498,700	537,422

22. TRADE RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**402,281**	455,889
Less: Allowance for doubtful debts	**(23,814)**	(29,711)
	378,467	426,178

The credit terms granted by the Group to its customers normally range from 30 days to 90 days.

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22. TRADE RECEIVABLES (Cont'd)

The aged analysis of the Group's trade receivables net of allowance for doubtful debt is presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates.

	2014 HK$'000	2013 HK$'000
Within 90 days	**362,861**	391,593
91 to 180 days	**12,138**	20,642
181 to 360 days	**1,269**	11,940
Over 360 days	**2,199**	2,003
	378,467	426,178

The Group has policy of making allowance for bad and doubtful debts which is based on the evaluation of collectability and age of accounts and on management's judgement including credit worthiness and past collection history of each customer. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers are reviewed twice a year.

At the end of the reporting period, trade receivables with an aggregate carrying amount of HK$299,445,000 (2013: HK$328,033,000) are neither past due nor impaired for which management considers these amounts are of good credit quality.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$79,022,000 (2013: HK$98,145,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors of the Company believe that there is no further provision required in excess of the allowance of doubtful debts as at the end of the reporting period. The average age of these receivables is 57 days (2013: 92 days).

Aging of trade receivables which are past due but not impaired:

	2014 HK$'000	2013 HK$'000
Within 90 days	**74,472**	69,924
91 – 180 days	**1,879**	14,064
181 – 360 days	**775**	12,054
Over 360 days	**1,896**	2,103
Total	**79,022**	98,145

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22. TRADE RECEIVABLES (Cont'd)

Movement in the allowance for doubtful debts

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	**29,711**	27,787
Exchange adjustment	**(182)**	214
Impairment losses recognised on receivables *(Note i)*	**3,043**	5,637
Amounts written off as uncollectible *(Note ii)*	**(4,025)**	(2,043)
Amounts recovered during the year	**(4,733)**	(1,884)
Balance at end of the year	**23,814**	29,711

Notes:

(i) The impairment losses recognised on receivables are individual trade receivables that are past due at the end of the reporting date and management believes that these amounts are unlikely to be recoverable based on past collection history and credit worthiness of each customer. The Group does not have any collateral over these balances.

(ii) The amounts written off as uncollectible are individually impaired trade receivable as the debtors are in severe financial difficulties.

23. BILLS RECEIVABLE

At the end of the reporting period, bills receivable of HK$27,546,000 (2013: HK$41,855,000) are aged within 180 days (2013: 180 days) from respective invoice dates. Included in the bills receivable are discounted bills with recourse of HK$23,413,000 (2013: HK$31,595,000), their corresponding financial liabilities are included in bank borrowings disclosed in note 32. Details relating to transfer of financial assets are set out in note 40.

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

At 31 December 2014, included in deposits, prepayments and other receivables is an entrusted loan receivable of RMB30,104,000 (equivalent to HK$37,866,000) (2013: nil) advanced to an independent third party through a bank in the PRC. The entrusted loan receivable carries fixed interest at fixed rate of 12% per annum and will be expired in April 2015.

In addition, included in deposits, prepayments and other receivable is a deposit of RMB30,000,000 (equivalent to HK$37,736,000) (2013: nil) paid to the customs authority in Shaoxing City of Zhejiang Province in the PRC in relation to an ongoing enquiry of customs duty on imported accessories for manufacturing in the PRC factories. The Group has engaged professionals to advise on the matter and assist the Group to respond to queries from the customs authority.

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25. AMOUNTS DUE FROM AND TO JOINT VENTURES

The amounts due from and to joint ventures are unsecured, interest free and repayable on demand by practice.

The amounts due from joint ventures comprise of receivables of HK$119,706,000 (2013: nil) from the New Media Group and HK$702,000 (2013: HK$945,000) from other joint ventures. At 31 December 2014, included in amounts due from joint ventures are receivables of HK$15,003,000 (2013: nil) for sales of raw materials and finished goods aged within 180 days, to the New Media Group since the Group lost control in the New Media Group.

At the end of the reporting period, the directors made an assessment of the recoverability of the amounts due from joint ventures based on the timing of the estimated future cash flows and impairment losses of HK$13,375,000 (2013: nil) and HK$76,000 (2013: HK$571,000) have been recognised in respect of amounts due from the New Media Group and amounts due from other joint ventures, respectively, in the consolidated financial statements.

The amounts due to joint ventures comprise of payables of HK$38,435,000 (2013: nil) to the New Media Group and HK$621,000 (2013: nil) to other joint ventures. At 31 December 2014, included in amounts due to joint ventures are payables of HK$621,000 (2013: nil) for purchases of raw materials and finished goods aged within 90 days.

26. STRUCTURED DEPOSITS

The structured deposits are placed with banks in Hong Kong and the PRC and contain embedded derivatives, the returns of which are determined by reference to the change in certain exchange rates or interest rates quoted in the market. The structured deposits are designated as financial assets at FVTPL at initial recognition.

Major terms of the structured deposits at the end of the reporting period are as follows:

At 31 December 2014:

Principal amount	**Maturity** *(Note i)*	**Annual coupon rate**	*Notes*
RMB284,000,000	February – September 2015	from 2.0% to 5.0%	*(ii)*
RMB331,500,000	January – August 2015	from 2.4% to 4.5%	*(iii)*
RMB40,000,000	March 2015	0% or 4.3%	*(iv)*
RMB80,000,000	January – August 2015	from 3.0% to 4.0%	*(v)*
RMB161,000,000	February – March 2015	from 3.3% to 3.5%	*(vi)*

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26. STRUCTURED DEPOSITS (Cont'd)

At 31 December 2013:

Principal amount	**Maturity** *(Note i)*	**Annual coupon rate**	*Notes*
RMB338,659,000	March – November 2014	from 1.8% to 5%	*(ii)*
RMB393,000,000	January – August 2014	from 2.4% to 4.5%	*(iii)*
RMB201,000,000	January – December 2014	from 3.1% to 4.2%	*(v)*
RMB164,000,000	October – December 2014	from 3.3% to 3.5%	*(vi)*

Notes:

(i) All the deposits are subject to the option for early termination by issuing banks.

(ii) The annual coupon rate is dependent on whether the spot rate for conversion of European dollar for US$ as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

(iii) The annual coupon rate is dependent on whether the spot rate for conversion of Australian dollar for US$ as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

(iv) The annual coupon rate is dependent on whether the spot rate for conversion of RMB for US$ as prevailing in the international foreign exchange market falls within the range as specified in the relevant agreement during the period from inception date to maturity date of the relevant agreement.

(v) The annual coupon rate is dependent on whether the spot rate for conversion of US$ for HK$ as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

(vi) The annual coupon rate is dependent on whether 1 month London Inter Bank Offered Rate ("LIBOR") for deposits in US$ falls within 0% to 3% during the period from inception date to maturity date of the relevant agreements.

At the end of the reporting period, the structured deposits are stated at fair values based on valuation provided by respective counterparties. The fair values are calculated using discounted cash flow analysis based on the applicable yield curves of relevant interest rates and exchange rates. Details are set out in note 38.

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27. SHORT-TERM DEPOSITS

The short-term deposits carry interests at fixed rates ranging from 3.2% to 3.75% (2013: 3.08% to 4.4%) per annum.

Short-term deposits are deposits with banks with more than three months to maturity when acquired. Short-term deposits are matured within 12 months from the end of the reporting period and are therefore classified as current assets.

28. BANK BALANCES AND CASH

Bank balances carry interests at market rates which range from 0.001% to 5.2% (2013: 0.001% to 3.3%) per annum.

Bank balances are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

29. TRADE PAYABLES AND BILLS PAYABLE

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

	2014 HK$'000	2013 HK$'000
Within 90 days	**121,757**	137,252
91 to 180 days	**5,420**	11,300
181 to 360 days	**3,166**	2,875
Over 360 days	**5,585**	5,569
	135,928	156,996
Accrued purchases	**186,581**	199,024
	322,509	356,020

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

All bills payable are aged within 90 days.

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30. AMOUNT DUE TO AN ASSOCIATE

The amount due to Sherman-Theme (China) Limited, an indirect associate of the Company, is unsecured, interest-free and is repayable on demand.

In the opinion of the directors, the indirect associate is not material to the Group for both years and therefore no further information for the associate is disclosed.

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Amounts payable under finance leases:				
Within one year	**140**	98	**128**	86
In the second year	**58**	81	**55**	78
	198	179	**183**	164
Less: Future finance charges	**(15)**	(15)	**–**	–
Present value of lease obligations	**183**	164	**183**	164
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(128)**	(86)
Amount due for settlement after twelve months (shown under non-current liabilities)			**55**	78

The Group leases certain of its motor vehicles under finance lease. The average lease term is three (2013: three) years. The average effective borrowing rate is 10.17% (2013: 9.54%) per annum. Interest rates are fixed at the contract date.

All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligation under finance leases are secured by the lessor's charge over the leased assets.

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32. BANK BORROWINGS AND BANK OVERDRAFT

	2014 HK$'000	2013 HK$'000
Bank borrowings (including discounted bills with full recourse)	**2,194,906**	2,535,709
Analysed as:		
Secured	**48,302**	45,506
Unsecured	**2,146,604**	2,490,203
	2,194,906	2,535,709
Carrying amount repayable *(Note i)*:		
Within one year	**1,840,566**	2,048,010
More than one year, but not exceeding two years	**135,160**	176,699
More than two years, but not exceeding five years	**219,180**	311,000
	2,194,906	2,535,709
Less: Amount due within one year shown under current liabilities *(Note ii)*	**2,194,906**	2,417,710
Amount shown under non-current liabilities	**–**	117,999

Notes:

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(ii) Included in HK$2,194,906,000 (2013: HK$2,417,710,000) is HK$1,453,080,000 (2013: HK$1,724,771,000) bank borrowings that are repayable within one year and HK$354,340,000 (2013: HK$369,700,000) bank borrowings that are not repayable within one year pursuant to the scheduled repayment dates set out in the loan agreements but the loan agreements contain a repayment on demand clause.

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32. BANK BORROWINGS AND BANK OVERDRAFT (Cont'd)

The ranges of effective interest rates (which are same as the contracted interest rates) on the Group's bank borrowings and bank overdraft are as follows:

	2014	2013
Effective interest rates:		
Fixed-rate bank borrowings	**2.04% – 2.10%**	1.21% – 3.45%
Variable-rate bank borrowings	**1.33% – 3.23%**	1.17% – 2.96%

The Group undertakes to the banks that structured deposits of HK$1,164,792,000 (2013: HK$1,442,333,000) and short-term deposits of HK$551,331,000 (2013: HK$231,076,000) have to be maintained with the respective banks during the life of certain bank borrowings.

During the year, the Group discounted bills receivable with recourse in aggregated amount of HK$204,380,000 (2013: HK$379,421,000) to banks for short term financing. As at 31 December 2014, the associated borrowings amounted to HK$23,413,000 (2013: HK$31,595,000). The relevant cash flows of these borrowings are presented as operating cash flows in the consolidated statement of cash flows as management considers the cash flows are, in substance, the receipts from trade customers.

33. DEFERRED TAXATION

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

	Deferred tax assets						
	Unrealised profit arising on intra-group transactions HK$'000	Bad and doubtful debts HK$'000	Allowance on obsolete inventories HK$'000	Impairment loss on property, plant and equipment HK$'000	Government grant received in respect of properties HK$'000 *(Note)*	Others HK$'000	Total HK$'000
At 1 January 2013	630	3,520	8,067	20,158	817	–	33,192
Credit (charge) to profit or loss	420	1,485	1,771	(6,230)	7,406	581	5,433
Exchange realignment	–	90	319	566	121	7	1,103
At 31 December 2013	1,050	5,095	10,157	14,494	8,344	588	39,728
(Charge) credit to profit or loss	**(552)**	**(1,688)**	**1,455**	**(2,477)**	**(162)**	**(263)**	**(3,687)**
Exchange realignment	**–**	**(72)**	**(217)**	**(249)**	**(157)**	**(11)**	**(706)**
At 31 December 2014	**498**	**3,335**	**11,395**	**11,768**	**8,025**	**314**	**35,335**

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33. DEFERRED TAXATION (Cont'd)

	Deferred tax liabilities (asset)						
	Accelerated tax depreciation	Revaluation of investment properties	Revaluation of property and prepaid lease payments transferred to investment property	Withholding tax in respect of undistributed earnings of PRC subsidiaries	Interest receivables	Fair value gain on derivative instruments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	1,212	71,008	33,668	16,289	4,665	–	126,842
Charge to profit or loss	–	14,192	–	12,000	1,627	–	27,819
Charge to other comprehensive income	–	–	–	–	–	30,256	30,256
Reversal upon reclassification to profit or loss	–	–	–	–	–	(4,804)	(4,804)
Exchange realignment	–	1,312	573	–	–	–	1,885
At 31 December 2013	1,212	86,512	34,241	28,289	6,292	25,452	181,998
Charge (credit) to profit or loss	**–**	**9,295**	**–**	**10,600**	**435**	**(6,973)**	**13,357**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(14,944)**	**(14,944)**
Reversal upon reclassification to profit or loss	**–**	**–**	**–**	**–**	**–**	**(11,411)**	**(11,411)**
Exchange realignment	**–**	**(875)**	**(317)**	**–**	**–**	**–**	**(1,192)**
At 31 December 2014	**1,212**	**94,932**	**33,924**	**38,889**	**6,727**	**(7,876)**	**167,808**

Note: Being deferred tax recognised in respect of the government grant of HK$15,713,000 and HK$14,227,000 received in respect of acquisition of properties in 2013 and 2011 respectively. The government grant was recognised as a deduction from the carrying amounts of respective properties and recognised over the useful lives.

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33. DEFERRED TAXATION (Cont'd)

The ultimate realisation of the above deferred tax assets depends principally on certain subsidiaries in the PRC achieving profitability and generating sufficient taxable profits to utilise the underlying deferred tax assets. Based on the taxable profit and loss projections of these businesses, it is more probable that the Group can fully utilise the deferred tax assets recognised. It may be necessary for some or all of these deferred tax assets to be reduced and charged to profit or loss if there is a significant adverse change in the projected performance and projected taxable profit of the business.

The Group has estimated tax losses arising in Hong Kong of HK$366,796,000 (2013: HK$461,216,000), tax losses arising in overseas of HK$89,173,000 (2013: HK$57,601,000) and allowance for amounts due from joint ventures of HK$13,451,000 (2013: nil) for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$43,378,000 (2013: HK$35,969,000) that will expire in 2028 to 2034. Other tax losses may be carried forward indefinitely.

34. PROVISION FOR LONG SERVICE PAYMENTS

	HK$'000
At 1 January 2013	3,397
Amount provided during the year	34
At 31 December 2013	3,431
Amount utilised during the year	**(16)**
Eliminated on disposal of subsidiaries	**(112)**
At 31 December 2014	**3,303**

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of the probable future payments which have been earned by the employees from their service to the Group up to the end of the reporting period.

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35. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000	100,000
Issued and fully paid:		
At 1 January 2013 and 31 December 2013	297,214	29,721
Shares issued	8,402	841
At 31 December 2014	**305,616**	**30,562**

During the year ended 31 December 2014, 8,401,870 shares of HK$0.1 each were issued at HK$3.05 per share as scrip dividends.

All the issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

36. SHARE OPTION SCHEME

The purposes of the share option scheme adopted on 30 May 2012 (the "New Scheme") are to (a) provide alternative recognition to the contributions or services of employees, executives and non-executive directors; (b) strengthen the relationship between the Group and its employees and executives; (c) attract and retain key and important employees and executives; and (d) motivate employees and executives to strive for future development and expansion of the Group. Eligible participants of the New Scheme include the directors and employees of the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for 10 years ending 29 May 2022.

Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued and to be issued upon exercise of options granted in accordance with the New Scheme to each eligible participant in any 12-month period must not exceed 1% of the shares of the Company in issue. The offer of a grant of share option may be accepted within 28 days from the date of the offer with no consideration being payable by the grantee. The exercisable period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by directors, but must be at least the highest of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (3) the par value of the Company's shares.

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36. SHARE OPTION SCHEME (Cont'd)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

No share options were granted, exercised, cancelled or lapsed under the New Scheme during the year nor outstanding as at the end of the reporting period.

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 32, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital. The Group will balance its overall capital structure through the payment of dividends, the share buy-backs, the issue of new shares as well as the issue of new debt or the redemption of existing debt.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Derivative financial instruments	**25,194**	155,652
Financial assets at FVTPL	**1,164,792**	1,442,333
Loans and receivables (including cash and cash equivalents)	**1,725,127**	1,776,140
Available-for-sale investments	**675**	675
Financial liabilities		
Derivative financial instruments	**91,460**	8,244
Amortised cost	**2,661,560**	2,996,238

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38. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, derivative financial instruments, amounts due from and to joint ventures, structured deposits, short-term deposits, bank balances and cash, trade and bills payables, other payables and bank borrowings. Details of the 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases. The carrying amounts of major foreign currency denominated monetary assets and monetary liabilities (including trade and bills receivables, deposits and other receivables, short-term deposits, bank balances and cash, trade and bills payables, other payables, bank borrowings and foreign currency denominated intra group balances) which expose the Group for foreign currency risk at the end of the reporting period are as follows:

	Liabilities		Assets	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
HK$	**52,410**	35,000	**2,361**	643
US$	**638,108**	870,838	**110,917**	231,520
RMB	**9**	12	**102,435**	18,565

The Group has entered into certain foreign exchange forward contracts as set out in note 20 to hedge against the potential currency exposure arising on the forecast intragroup sales and forecast sales to external parties. It is the Group's policy to negotiate the terms of the foreign exchange forward contracts to match the terms of the hedged item to maximise hedge effectiveness. In addition, the Group is also exposed to foreign currency risks arising from knock out forward contracts and capped forward contracts, which are not subject to cash flow hedges at the end of the reporting period.

The Group also entered into certain structured deposits as set out in note 26, of which the coupon rate is dependent on exchange rates of US$, RMB, HK$, Australian dollar and European dollar. The directors of the Company consider that currency risk arising from structured deposits is insignificant.

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38. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) strengthening in the group entities' functional currency against the relevant foreign currencies except for the Group's exposure in US$ relative to HK$ since directors of the Company consider HK$ is pegged to US$ and the exposure related to US$ is insignificant. 5% (2013: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, foreign exchange forward contracts, knock out forward contracts and capped forward contracts, and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rates and forward exchange rates. A positive/negative number below indicates an increase/decrease in post-tax profit for the year and hedging reserve.

	Impact on HK$		Impact on US$		Impact on RMB	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Profit or loss *(Note i)*	**2,045**	1,434	**37,170**	27,031	**(4,276)**	(775)
Hedging reserve *(Note ii)*	**–**	–	**136,360**	129,031	**–**	–

Notes:

(i) This is mainly attributable to the exposure outstanding on foreign currencies denominated monetary items, knock out forward contracts and capped forward contracts, which are not subject to cash flow hedges at the end of the reporting period.

(ii) This is a result of changes in fair value of foreign exchange forward contracts designated as cash flow hedges in relation to the Group's foreign currency forecast sales.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

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38. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate bank deposits, loan receivables and fixed rate bank borrowings. The Group is also exposed to cash flow interest rate risk relating to the variable rate bank borrowings, structured deposits and derivative financial instruments including receive-floating and pay-fixed interest rate swaps and dual currency interest rate swap, which mainly concentrated on fluctuation of HIBOR and LIBOR. Management monitors interest rate exposure and consider hedging significant interest rate exposure should the need arise. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is used (see note 20 for details).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments. The analysis includes the variable rate bank borrowings, assuming that outstanding balances at the end of the reporting period are outstanding for the whole year, and interest rate swaps. A 50 basis point (2013: 50 basis point) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rate. The sensitivity analysis below indicates 50 basis points (2013: 50 basis point) increase in interest rates. A negative number below indicates a decrease in post-tax profit.

	2014 **HK$'000**	2013 HK$'000
Profit or loss *(Note i)*	**(7,263)**	(8,986)
Hedging reserve *(Note ii)*	**1,518**	1,330

Notes:

(i) This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings and interest swap not under hedge accounting outstanding at the end of the reporting period.

(ii) This is a result of changes in fair values of interest rate swaps designated as cash flow hedges in relation to the Group's variable rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

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For the year ended 31 December 2014

38. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Other than concentration of credit risk on the major customers, joint venturers, structured deposits and liquid funds deposited with several banks and insurance company with high credit ratings as well as counterparties with whom the Group enters into derivative financial instruments, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers, spread across geographical areas. In order to minimise the credit risk from the major customers, the terms of payment of the major customers are under bank's letter of credit. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised banking facilities of approximately HK$2,004 million (2013: HK$1,846 million).

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. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

38. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2014 HK$'000
2014						
Non-derivative financial liabilities						
Trade payables	–	322,509	–	–	322,509	322,509
Other payables	–	104,268	–	–	104,268	104,268
Amount due to an associate	–	589	–	–	589	589
Amounts due to joint ventures	–	39,056	–	–	39,056	39,056
Bank overdraft	2.17	49	–	–	49	49
Bank borrowings	2.17	2,019,714	182,542	–	2,202,256	2,194,906
Obligations under finance leases	10.17	35	105	58	198	183
		2,486,220	182,647	58	2,668,925	2,661,560
Derivative – net settlement						
Derivative financial instruments, other than foreign exchange forward contracts under cash flow hedges		10,738	29,894	20,465	61,097	61,097
Derivative – gross settlement						
Foreign exchange forward contracts under cash flow hedges						
– inflow		(378,360)	(1,211,698)	(1,558,734)	(3,148,792)	(3,148,792)
– outflow		372,000	1,193,500	1,588,750	3,154,250	3,154,250
		(6,360)	(18,198)	30,016	5,458	5,458

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

38. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

	Weighted average interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2013 HK$'000
2013						
Non-derivative financial liabilities						
Trade payables	–	356,020	–	–	356,020	356,020
Bills payable	–	343	–	–	343	343
Other payables	–	103,413	–	–	103,413	103,413
Amount due to an associate	–	589	–	–	589	589
Bank borrowings	2.44	2,264,906	153,309	121,039	2,539,254	2,535,709
Obligations under finance leases	9.54	98	81	–	179	164
		2,725,369	153,390	121,039	2,999,798	2,996,238
Derivative – net settlement						
Derivative financial instruments, other than foreign exchange forward contracts under cash flow hedges		546	1,948	5,750	8,244	8,244
Derivative – gross settlement						
Foreign exchange forward contracts under cash flow hedges						
– inflow		(394,488)	(1,181,053)	(1,632,228)	(3,207,769)	(3,207,769)
– outflow		372,000	1,116,000	1,565,500	3,053,500	3,053,500
		(22,488)	(65,053)	(66,728)	(154,269)	(154,269)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

38. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

The table below is the maturity analysis of bank borrowings, which includes interest payments computed using contractual rates, based on agreed scheduled repayments set out in the loan agreements irrespective of whether the terms of the bank borrowings contain a repayment on demand clause. As a result, these amounts were greater than the amounts disclosed in the "on demand or less than 3 months" time band in the maturity analysis above. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Weighted average interest rate	Less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2014	**2.17**	**1,620,718**	**239,018**	**366,829**	**2,226,565**	**2,194,906**
31 December 2013	2.44	1,878,152	182,451	512,696	2,573,299	2,535,709

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

38. FINANCIAL INSTRUMENTS (Cont'd)

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's derivative financial instruments and structured deposits are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

For valuation technique using discounted cash flows, the discount rates used take into consideration the credit risk of the relevant counterparties of the contracts or the Group, as appropriate.

Financial assets/ financial liabilities	Fair value as at 31 December 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign exchange forward contracts (designated for hedging)	**Assets – HK\$24,905,000** **Liabilities – HK\$30,363,000**	Assets – HK\$154,269,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Capped forward contracts	**Asset – HK\$289,000** **Liabilities – HK\$8,753,000**	Asset – HK\$454,000 Liabilities – HK\$808,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model. Key inputs: Forward exchange rates, contracted exchange rates and discount rates and volatility of exchange rate of RMB vs US\$.
Knock out forward contracts	**Liabilities – HK\$42,778,000**	Asset – HK\$817,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model. Key inputs: Forward exchange rates, contracted exchange rates and discount rates and volatility of exchange rate of RMB vs US\$.

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For the year ended 31 December 2014

38. FINANCIAL INSTRUMENTS (Cont'd)

Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liabilities	Fair value as at 31 December 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Interest rate swaps (designated for hedging)	**Liabilities – HK$1,098,000**	Asset – HK$112,000 Liabilities – HK$754,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward interest rates, contracted interest rates and discount rates.
Dual currency interest rate swap	**Liability – HK$8,468,000**	Liability – HK$6,682,000	Level 2	Valuation technique: Discounted cash flow and option pricing model. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and HSBC Dynamic Term Premium Index 10 as published on Bloomberg Screen and its volatility.
Structured deposits	**Assets – HK$1,164,792,000**	Assets – HK$1,442,333,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.

There are no transfers between level 1 and 2 for both years.

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

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For the year ended 31 December 2014

39. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Netting Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

Derivative financial assets of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial assets in the consolidated statement of financial position		Related amounts not set off in the consolidated statement of financial position – derivative financial liabilities	Net amount
	Bank balances HK$'000	Derivative financial assets HK$'000	HK$'000	HK$'000
At 31 December 2014				
Bank A	**527**	**12,365**	**(12,892)**	**–**
Bank B	**369**	**1,076**	**(1,445)**	**–**
Bank C	**468**	**3,291**	**(3,759)**	**–**
Bank D	**426**	**289**	**(715)**	**–**
Bank E	**47**	**6,450**	**(6,497)**	**–**
Bank F	**305**	**1,723**	**(2,028)**	**–**
Bank H	**286**	**–**	**(286)**	**–**
Bank I	**1,269**	**–**	**(1,269)**	**–**
Total	**3,697**	**25,194**	**(28,891)**	**–**
At 31 December 2013				
Bank A	2,484	67,288	(54)	69,718
Bank B	1,573	47,248	(7,161)	41,660
Bank C	93	9,161	(180)	9,074
Bank D	402	454	–	856
Bank E	334	16,407	(15)	16,726
Bank F	34,976	14,982	–	49,958
Bank G	96	112	–	208
Bank H	168	–	(168)	–
Total	40,126	155,652	(7,578)	188,200

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

39. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING ENFORCEABLE MASTER NETTING ARRANGEMENTS (Cont'd)

Derivative financial liabilities of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial liabilities presented under "Derivative financial instruments" in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position – financial assets HK$'000	Net amount HK$'000
At 31 December 2014			
Bank A	**(13,678)**	**12,892**	**(786)**
Bank B	**(19,727)**	**1,445**	**(18,282)**
Bank C	**(9,684)**	**3,759**	**(5,925)**
Bank D	**(5,946)**	**715**	**(5,231)**
Bank E	**(13,589)**	**6,497**	**(7,092)**
Bank F	**(14,542)**	**2,028**	**(12,514)**
Bank H	**(9,287)**	**286**	**(9,001)**
Bank I	**(5,007)**	**1,269**	**(3,738)**
Total	**(91,460)**	**28,891**	**(62,569)**
At 31 December 2013			
Bank A	(54)	54	–
Bank B	(7,161)	7,161	–
Bank C	(180)	180	–
Bank E	(15)	15	–
Bank H	(834)	168	(666)
Total	(8,244)	7,578	(666)

The gross amounts of the recognised financial assets and financial liabilities disclosed in the above tables, which are subject to enforceable master netting arrangements, are measured as follows:

- Bank balances – amortised cost
- Derivatives financial instruments – fair value

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

40. TRANSFERS OF FINANCIAL ASSETS

The following is the Group's bills receivable as at 31 December 2014 and 2013 that are transferred to banks by discounting bills receivable on a full recourse basis. If the bills receivable are not paid on maturity, the banks have rights to request the Group to pay the unsettled balances. As the Group has not transferred the significant risks and rewards relating to the bills receivable, it continues to recognise the full carrying amount of the bills receivable and has recognised the cash received on the transfer as a secured borrowing (see note 32). The bills receivable are carried at amortised cost in the Group's consolidated statement of financial position.

	2014 **HK$'000**	2013 HK$'000
Carrying amount of transferred assets	**23,413**	31,595
Carrying amount of associated liabilities	**(23,413)**	(31,595)

41. PLEDGE OF ASSETS

At the end of the reporting period, in addition to the bills receivable discounted to banks as disclosed in note 40, the Group has pledged the following assets to secure credit facilities granted to the Group:

	2014 **HK$'000**	2013 HK$'000
Trade receivables	**19,040**	23,820

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

42. OPERATING LEASES

(a) The Group as lessor

The Group leases its investment properties under operating lease arrangements with average lease term of one to two years.

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

	2014 HK$'000	2013 HK$'000
Within one year	**23,893**	27,274
In the second to fifth years, inclusive	**86,480**	88,630
Over five years	**44,553**	69,349
	154,926	185,253

(b) The Group as lessee

The Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**13,708**	17,514
In the second to fifth years, inclusive	**21,206**	32,212
Over five years	**1,948**	2,984
	36,862	52,710

Operating lease payments represent rental payable by the Group for certain of its office premises, retail shops and factories. Leases are negotiated for terms ranging from one to ten years and rentals are fixed over the lease terms. In addition to the fixed rentals which are disclosed above, pursuant to the terms of certain leasing agreements, the Group has to pay a rental based on certain percentage of the gross sales of the relevant shop.

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For the year ended 31 December 2014

43. CAPITAL COMMITMENTS

	2014 HK$'000	2013 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**1,067**	1,846

44. RETIREMENT BENEFITS SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees of the Group in Hong Kong. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,250 per month and revised to HK$1,500 per month after 1 June 2014. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The contributions are charged to the profit or loss as incurred. The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

45. RELATED PARTY TRANSACTIONS

Apart from amounts due from and to joint ventures and amount due to an associate as set out in notes 25 and 30, respectively, the Group had the following transactions with related parties during the year:

	2014 HK$'000	2013 HK$'000
Purchases of raw materials and finished goods from joint ventures	**11,167**	20,432
Sales of raw materials and finished goods to joint ventures	**18,486**	3,098

Compensation of key management personnel

The remuneration of directors, which are the key management personnel during the year are set out in note 9, is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

46. DEEMED DISPOSAL OF SUBSIDIARIES

As disclosed in note 18, the Group lost control in High Fashion New Media Corporation Limited on 11 September 2014 and which became a joint venture of the Group as from that date.

Assets and liabilities of New Media Group at the date when the Group lost control are as follows:

	HK$'000
Property, plant and equipment	4,054
Inventories	8,557
Trade receivables	33,544
Deposits, prepayments and other receivables	8,931
Amounts due from the Group	39,510
Bank balances and cash	45,835
Amounts due to the Group	(112,942)
Other payables and accruals	(10,209)
Provision for long service payments	(112)
Net assets	17,168
Gain (loss) on deemed disposal of New Media Group:	
Fair value of interest in joint venture retained by the Group	11,613
Net assets disposed of	(17,168)
Non-controlling interests derecognised	5,555
	–
Net cash outflow on deemed disposal of the New Media Group:	
Cash and cash equivalents disposed of	45,835

47. CONTINGENT LIABILITIES

As mentioned in note 18, there were disputes amongst the Group, Hansen, Ms Leong and certain directors of the Company and several legal proceedings are taking place. The aforesaid parties in the action have agreed to generally extend the deadlines of filing various documents with court due to the ongoing settlement negotiation between the Group and Hansen. Given that the evidence is still at an early stage, in the opinion of director, the ultimate outcome is unable to be determined and no provision has been made accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group 2014 %	2013 %	Principal activities
Angel Star Investment Limited	Hong Kong	HK$2 Ordinary HK$2 Non-voting deferred	**N/A** **N/A** *(Note iii)*	100 100	Holding of trademarks
Anway Garment Limited	Hong Kong	HK$2	**100**	100	Garment trading
August Silk Inc.	USA	US$10	**100**	100	Marketing and garment trading
Bramead International Inc.	British Virgin Islands ("BVI")/USA	US$1	**100**	100	Holding of trademarks
Cantabian Limited	Hong Kong	HK$2 Ordinary HK$2 Non-voting deferred	**100** **100**	100 100	Investment holding
Da Fu Li Co., Limited	Taiwan	TWD300,000	**N/A** *(Note iii)*	100	Garment retailing
Dongguan Dalisheng Fashion Co., Ltd. *(Note i)*	PRC	HK$28,000,000	**100**	100	Garment manufacturing
Dongguan Yihao Fashions Limited *(Note i)*	PRC	HK$20,500,000	**100**	100	Garment manufacturing
Eminent Garment (Cambodia) Limited *(Note ii)*	Cambodia	US$50,000	**100**	–	Garment manufacturing

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Proportion of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Place of nominal value of issued capital/ registered capital held by the Group 2014 %	2013 %	Principal activities
Eminent Garment Limited	Hong Kong	HK$2	**100**	100	Garment trading
Guangdong Theme-Huayu Fashion Company Limited *(Note i)*	PRC	RMB10,500,000	**100**	100	Garment retailing
High Fashion Accessories and Gifts Limited	Hong Kong	HK$2	**100**	100	Accessories and gifts trading and manufacturing
High Fashion Apparel Limited	BVI/Hong Kong	US$1,000	**100**	100	Investment holding
High Fashion (China) Co., Ltd. *(Note i)*	PRC	US$116,865,779	**100**	100	Dyeing, printing and sandwashing of fabrics and garment manufacturing
High Fashion Commerce Limited	Hong Kong	HK$1	**100**	100	Provision of procurement and undertaking services
High Fashion Garments Company Limited	Hong Kong	HK$2 ordinary	**100**	100	Garment trading
		HK$10,000,000 Non-voting deferred	**100**	100	
High Fashion Garments, Inc.	USA	US$5,000	**100**	100	Marketing and garment trading

Notes to the Consolidated Financial Statements

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Proportion of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Place of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2014 %	2013 %	
High Fashion Garments Macao Commercial Offshore Limited	Macau	MOP100,000	**100**	100	Garment trading and agency
HFGML	Hong Kong	HK$20 Ordinary HK$20 Non-voting deferred	**100** **100**	100 100	Provision of management services
High Fashion International (USA) Inc.	USA	US$1,800	**100**	100	Investment holding
High Fashion Knit Company Limited	Hong Kong	HK$2	**100**	100	Garment trading
High Fashion Knitwear Company Limited	Hong Kong	HK$2 Ordinary HK$1,000,000 Non-voting deferred	**100** **100**	100 100	Garment trading
High Fashion Knitwear Overseas Limited	Hong Kong	HK$2 Ordinary HK$10,000 Non-voting deferred	**100** **100**	100 100	Garment trading
High Fashion Silk (Zhejiang) Co., Ltd. *(Note i)*	PRC	US$52,500,000	**100**	100	Silk weaving
High Fashion (UK) Limited	United Kingdom	GBP20,000	**70.5**	70.5	Garment trading
Navigation Limited	BVI/Hong Kong	US$1	**100**	100	Investment holding

Notes to the Consolidated Financial Statements

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Proportion of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Place of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2014 %	2013 %	
Rosso Amaranto S.r.l.	Italy	EUR100,000	**80**	80	Trading of fabrics
Stage II Limited	Hong Kong	HK$800,000	**N/A** *(Note iii)*	100	Garment trading
The King Garment Limited	Hong Kong	HK$2	**100**	100	Garment trading
Theme Garments (Shenzhen) Company Limited *(Note i)*	PRC	RMB60,000,000	**100**	100	Garment retailing and trading
Theme Fashion (Singapore) Pte. Ltd.	Singapore	S$100,000	**N/A** *(Note iii)*	100	Garment retailing
Theme International Holdings (B.V.I.) Limited	BVI	US$10,001	**100**	100	Investment holding
Winsmart Overseas Limited	Hong Kong	HK$2	**100**	100	Garment trading
Zhejiang High Fashion Culture Creativity Co., Ltd. *(Note i)*	PRC	US$20,000,000	**100**	100	Culture development

Notes:

(i) These companies are registered as a wholly-owned foreign enterprise.

(ii) The company was set up during the year ended 31 December 2014.

(iii) These companies are subsidiaries of High Fashion New Media Corporation Limited which has been accounted for as a joint venture of the Group since 11 September 2014 with details set out in notes 18 and 46, respectively.

Notes to the Consolidated Financial Statements

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

High Fashion Apparel Limited is a directly held wholly owned subsidiary of the Company. Except for High Fashion Apparel Limited, all subsidiaries listed above are indirectly held by the Company.

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong and BVI. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation or registration/ operations	Number of subsidiaries	
		2014	2013
Investment holding	Hong Kong	**7**	7
	BVI	**2**	2
		9	9
Inactive	Hong Kong	**19**	20
	BVI	**7**	8
		26	28
		35	37

In the opinion of the directors, there is no subsidiary that has non-controlling interest that is individually material to the Group for both years and therefore no further information is disclosed for these non-wholly owned subsidiaries.

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

Financial summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial periods, as extracted from the audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Revenue	**2,864,787**	2,806,661	2,611,872	2,784,166	2,724,299
Profit before taxation	**123,241**	237,761	205,559	240,572	270,981
Taxation	**(30,900)**	(44,937)	(35,728)	13,253	(53,969)
Profit for the year	**92,341**	192,824	169,831	253,825	217,012
Profit (loss) for the year attributable to					
Owners of the Company	**101,468**	194,483	170,116	253,825	217,012
Non-controlling interests	**(9,127)**	(1,659)	(285)	–	–
	92,341	192,824	169,831	253,825	217,012

ASSETS AND LIABILITIES

	At 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Total assets	**5,706,923**	6,121,493	4,996,341	4,514,633	4,129,765
Total liabilities	**(3,195,392)**	(3,476,324)	(2,703,692)	(2,373,348)	(2,276,188)
	2,511,531	2,645,169	2,292,649	2,141,285	1,853,577

INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Unlisted investments in subsidiaries	**126,671**	126,671
Amount due from a subsidiary	**355,789**	390,949
Other current assets	**150**	150
Bank balances	**138**	134
Total assets	**482,748**	517,904
Less: liabilities	**108**	103
Net assets	**482,640**	517,801
Capital and reserves		
Share capital	**30,562**	29,721
Reserves	**452,078**	488,080
Total equity	**482,640**	517,801

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lam Foo Wah
(Chairman and Managing Director)
Ms. So Siu Hang, Patricia
Mr. Lam Gee Yu, Will
Mr. Lam Din Yu, Well

Non-executive Directors
Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing

Independent Non-executive Directors
Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

AUDIT COMMITTEE
Mr. Leung Hok Lim *(Chairman)*
Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing
Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter

REMUNERATION COMMITTEE
Mr. Wong Shiu Hoi, Peter *(Chairman)*
Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing
Mr. Woo King Wai
Mr. Leung Hok Lim

NOMINATION COMMITTEE
Mr. Lam Foo Wah *(Chairman)*
Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing
Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

COMPANY SECRETARY
Ms. Chan Wai Wei, Cynthia

AUDITOR
Deloitte Touche Tohmatsu

LEGAL ADVISER IN HONG KONG
Wilkinson & Grist

LEGAL ADVISER ON BERMUDA LAW
Conyers Dill & Pearman

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
11th Floor, High Fashion Centre
1-11 Kwai Hei Street, Kwai Chung
New Territories, Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE
Codan Services Limited
Clarendon House, Church Street
Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS
Australia and New Zealand Banking Group Limited,
Hong Kong Branch
Bank of China (Hong Kong) Limited
Citibank N.A., Hong Kong Branch
China CITIC Bank International Limited
CTBC Bank Co., Limited, Hong Kong Branch
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited, Hong Kong Branch

Shareholders & Investor Relation Information

RESULTS ANNOUNCEMENT:

2014 Final	30 March 2015
2014 Interim	28 August 2014
2013 Final	26 March 2014
2013 Interim	29 August 2013

2015 ANNUAL GENERAL MEETING

8 June 2015

CLOSURE OF REGISTER OF MEMBERS

Events	Book close period *(both days inclusive)*
For attendance to 2015 Annual General Meeting	5 June 2015 to 8 June 2015 inclusive
For entitlement to the proposed final dividend	12 June 2015 to 15 June 2015

DIVIDENDS:

2014 Final	5 HK cents per share payable on or about 29 June 2015
2014 Interim	5 HK cents per share paid on 7 October 2014
2013 Final	15 HK cents per share in cash (with scrip option) paid on 11 July 2014
2013 Interim	5 HK cents per share paid on 3 October 2013

AUTHORISED SHARES

1,000,000,000 shares

ISSUED SHARES

305,615,420 shares (as at 31 December 2014)

BOARD LOT

2,000 shares

FINANCIAL YEAR END

December 31

STOCK CODE

608

COMPANY WEBSITE

www.highfashion.com.hk

LISTING DATE

4 August 1992