Win Hanverky Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 3322)

2014
ANNUAL REPORT

FUTBOL TREND · SHOP 401, iSQUARE, TSIM SHA TSUI

Win Hanverky Holdings Limited and its subsidiaries are an integrated sportswear manufacturer, distributor and retailer for international sports brands and have diversified into high fashion retail business. We have two broad lines of businesses, namely Manufacturing Business and Distribution and Retail Business, with geographical markets spanning over Europe, North America, Mainland China and Hong Kong.

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 6 September 2006.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Kwok Tung Roy *(Chairman)*
Mr. LAI Ching Ping *(Deputy Chairman)*
Mr. LEE Kwok Leung *(Chief Executive Officer)*
(redesignated on 2 January 2014)
Dr. CHOW Chi Wai *(Chief Operating Officer)*
(appointed on 2 January 2014)

Independent Non-Executive Directors

Dr. CHAN Kwong Fai
Mr. KWAN Kai Cheong
Mr. MA Ka Chun

COMPANY SECRETARY

Ms. LAM Choi Ha

AUTHORISED REPRESENTATIVES

Mr. LI Kwok Tung Roy
Ms. LAM Choi Ha *(appointed on 2 January 2014)*

BOARD COMMITTEES

Audit Committee

Mr. KWAN Kai Cheong *(Chairman)*
Dr. CHAN Kwong Fai
Mr. MA Ka Chun

Remuneration Committee

Dr. CHAN Kwong Fai *(Chairman)*
Mr. KWAN Kai Cheong
Mr. LI Kwok Tung Roy

Nomination Committee

Mr. MA Ka Chun *(Chairman)*
Mr. LI Kwok Tung Roy
Dr. CHAN Kwong Fai

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Phase 6
Hong Kong Spinners Industrial Building
481–483 Castle Peak Road
Kowloon, Hong Kong

LEGAL ADVISOR

Deacons

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Citigroup, N.A.

SHARE INFORMATION

Listing:	The Main Board of The Stock Exchange of Hong Kong Limited
Board lot:	2,000 Shares
Stock code:	3322

COMPANY WEBSITE

www.winhanverky.com

Financial Highlights

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended 31 December/As at 31 December				
	2014	2013	2012	2011	2010
Financial Performance (HK$'000)					
Revenue	**3,574,978**	2,951,279	2,961,474	3,052,485	2,726,121
Operating profit	**39,565**	144,599	172,057	163,388	221,517
Profit before income tax	**48,065**	162,572	200,759	174,591	230,130
Profit from continuing operations	**17,387**	124,393	164,158	147,271	196,357
Loss from discontinued operations	**–**	(8,888)	(44,131)	(6,588)	(123,556)
Profit for the year	**17,387**	115,505	120,027	140,683	72,801
Profit attributable to equity holders	**31,770**	151,205	150,185	230,196	120,472
Financial Position (HK$'000)					
Non-current assets	**1,099,680**	1,140,428	989,087	846,255	868,722
Current assets	**1,740,647**	1,909,429	1,846,459	2,041,171	1,950,941
Current liabilities	**676,149**	782,890	625,013	720,468	686,873
Net current assets	**1,064,498**	1,126,539	1,221,446	1,320,703	1,264,068
Total assets	**2,840,327**	3,049,857	2,835,546	2,887,426	2,819,663
Total assets less current liabilities	**2,164,178**	2,266,967	2,210,533	2,166,958	2,132,790
Total equity	**2,138,553**	2,231,745	2,199,594	2,151,088	2,127,568
Cash and cash equivalents	**711,175**	871,998	946,565	790,975	763,974
Operation Indicators					
Gross profit margin from continuing operations (%)	**28.2**	25.2	21.7	20.9	23.2
Net profit margin from continuing operations (%)	**0.5**	4.2	5.5	4.8	7.2
Gearing ratio (%) *(Note)*	**5.6**	7.3	0.9	0.6	2.5
Current ratio (times)	**2.6**	2.4	3.0	2.8	2.8
Trade receivable sales period (days)	**37**	42	43	55	66
Inventory sales period (days)	**81**	86	83	76	67

Note: Gearing ratio represents the ratio between total borrowings and total equity.

Chairman's Statement

In 2014, global economy was still struggling to gain momentum as developed countries continued to face global political unrest and financial market stress while the economies of developing countries were less dynamic than before. The United States continued its economic recovery in 2014 but not in an anticipated pace. Europe and Japan continued to experience weak trade growth and a prolonged period of stagnation. Disappointing growth in developing countries in 2014 reflected weak global demand, meanwhile, China was undergoing a carefully managed slowdown of growth. Nevertheless, the sharp decline in oil prices since mid-2014 supported global business activity and eased some of the headwinds to economic growth of developing countries.

Under the challenging global economy, the Group was still able to achieve steady growth in revenue of its Manufacturing Business and recorded a significant increase in revenue in its Distribution and Retail Business during 2014. The Group's revenue was HK$3,575.0 million for the year ended 31 December 2014, a significant increase by 21.1% compared to last year's revenue of HK$2,951.3 million. Relocation of the production facilities of the Manufacturing Business from Mainland China to Southeast Asia, a region offering lower costs for long-run cost effectiveness, was proceeding as planned according to the Group's strategy, despite suffering substantial factory closure expenses as well as higher operating costs during the transitional period of relocation. On the other hand, acquisition of the new retail business in November 2013 gave rise to considerable non-cash amortisation expenses in the first two years after its acquisition. As a result, profit attributable to shareholders materially dropped from HK$151.2 million in 2013 to HK$31.8 million in 2014.

MANUFACTURING BUSINESS

In the first half of 2014, the Manufacturing Business recorded an increase in revenue of 12.9% compared to the corresponding period of 2013, which was mainly due to positive impact of the FIFA World Cup 2014 since the second half of 2013. As the positive impact began to taper in the second half of 2014, overall revenue of 2014 increased by 4.5% to HK$2,811.8 million. Against the backdrop of the transitional period of relocation and the challenging global economy, stable growth in orders from existing customers has shown how the Group's ongoing competitive advantages enabled it to meet the high requirements of our customers in the sportswear garment industry.

Along with the planned relocation of production facilities from Mainland China to Southeast Asia, construction work of the Phase II factory in Cambodia and expansion of Vietnam production facilities also commenced during the year, while a factory in Mainland China was closed during the year. Operating profit of the Manufacturing Business reduced from HK$150.8 million in 2013 to HK$78.7 million in 2014 mainly attributable to higher operating costs during the transitional period of relocation. However, production relocation will enhance our cost effectiveness in the long-run as labour costs in Vietnam and Cambodia are relatively lower than in Mainland China.

DISTRIBUTION AND RETAIL BUSINESS

In line with the Group's strategy of diversification of retail business as planned in 2011, the Group obtained the controlling interest of the Shine Gold Group, a new retail business of high-end fashion products, since November 2013. In 2014, the result of Shine Gold Group was fully consolidated into the Distribution and Retail Business. Moreover, we have increased the total retail floor area as well as enhanced shop productivity for the retail business of sportswear products in 2014. As a result, revenue of the Distribution and Retail Business soared from HK$267.2 million in 2013 to HK$769.6 million in 2014. Operating loss of the Distribution and Retail Business increased from HK$6.2 million in 2013 to HK$39.1 million in 2014, which was mainly due to the full year effect of amortisation expense of HK$44.6 million in 2014 arising from the acquisition of the Shine Gold Group. Excluding such non-cash expense, the Distribution and Retail Business would have had an operating profit of HK$5.5 million for the year compared to an operating profit of HK$1.2 million last year.

As the retail market of Hong Kong has been slowing down since late 2014, we will be very cautious about the expansion of our retail business in Hong Kong and continue to focus on enhancing shop efficiency of existing shops. Although the economy of China was slowing down as well, the rising disposable incomes of the Mainland China citizens which create a strong demand of consumer products, we believe the retail business in China will continue to be one of our key drivers of growth in the future.

DIVIDENDS

The Board is pleased to recommend the payment of a final dividend of HK4.0 cents per ordinary share. Together with the interim dividend of HK3.0 cents per ordinary share paid during the year, the dividend for the financial year of 2014 totaled HK7.0 cents, representing a total payment of HK$88.8 million. The Group has strived to generate steady returns to our Shareholders through a stable dividend payout. Depending on the capital expenditure needs and cash position of the Group, the Board may adjust the dividend payout.

OUTLOOK

Looking ahead, the global economy is expected to grow gradually as fueled by the continuing recovery in the economy of the United States and the sharp decline in oil prices since mid-2014, which is projected to be sustained in 2015. In association with recent appreciation of the US dollar against other currencies, corresponding changes in monetary policies in other countries are expected and which will likely increase financial market volatility and potentially create geopolitical tension. In view of these uncertainties and the required time for global economic recovery, the management remains cautiously optimistic and continues to execute our business strategies while keeping a close eye on the latest developments of the markets. The Group's strong customer relationships, together with the forward-looking strategy to relocate production facilities to Southeast Asia are favourable factors for the continued success of our future business and operations. As always, we will continue to be on the lookout for lucrative opportunities to further expand our business, with the ultimate aim of bringing greater value to our Shareholders in the long-run.

ACKNOWLEDGEMENT

I would like to thank the Board and all of our dedicated employees for their continued loyalty, diligence, professionalism, and contributions to the Group.

LI Kwok Tung Roy
Chairman

Hong Kong, 26 March 2015

Management Discussion and Analysis

OVERALL REVIEW

For the year ended 31 December 2014, the Group has recorded a revenue of HK$3,575.0 million (2013: HK$2,951.3 million) from continuing operations, representing an increment of 21.1%. Gross profit margin of continuing operations increased to 28.2% in 2014 (2013: 25.2%).

The increase in revenue and gross profit margin was mainly resulted from the consolidation of the Shine Gold Group, the Group's new retail business in high-end fashion products, since 1 November 2013.

As a result of the higher revenue and gross profit margin, gross profit increased by HK$264.3 million to HK$1,007.5 million (2013: HK$743.2 million), an increment of 35.6%.

Operating profit for the year was HK$39.6 million (2013: HK$144.6 million). The decrease in operating profit in 2014 was mainly attributable to the rising operating costs of the Group's Manufacturing Business during the transitional period of shifting production capacity from Mainland China to Southeast Asia which is in line with the Group's strategy. In addition, the drop is also attributable to non-cash amortisation expenses of licence rights and trademarks arising from the acquisition of the Shine Gold Group.

As a result, profit attributable to the shareholders for the year ended 31 December 2014 was HK$31.8 million (2013: HK$151.2 million).

The Board has declared and paid the interim dividend of HK3.0 cents per Share during the year. In consideration of the strong cash position and the continued cash inflow from operations, the Board proposed the payment of a final dividend of HK4.0 cents per Share for the year ended 31 December 2014. The interim and final dividends represent a total payment of HK$88.8 million (2013: HK$88.8 million).

BUSINESS REVIEW

The Group is an integrated manufacturer, distributor and retailer for renowned sports and fashion brands. The financial performances of the two business segments, namely the "**Manufacturing Business**" and "**Distribution and Retail Business**" are summarised below.

Manufacturing Business

The Group's Manufacturing Business operates mainly through OEM arrangements for a number of renowned sports brands. Most of the Group's products are exported and sold to Europe, the United States, Mainland China and other countries. The Group has a long history and a distinctive position in sportswear garment manufacturing, and has established long term business relationships with its key customers.

In the first half of 2014, revenue increased by 12.9% compared to the first half of 2013 mainly due to continuous sales orders brought about by the FIFA World Cup 2014 since the second half of 2013. However, sales orders in the second half of 2014 slightly decreased by 2.7% as compared to the second half of 2013 as the positive impact from FIFA World Cup 2014 began to taper. As a result, revenue from the Manufacturing Business increased slightly by 4.5% to HK$2,811.8 million for the year ended 31 December 2014 (2013: HK$2,689.8 million), accounting for 78.5% of the Group's total revenue from continuing operations (2013: 91.0%).

In line with the Group's strategy to shift production capacity to Southeast Asia, a factory located in Hui Zhou, Guangdong province of Mainland China was closed down during 2014. In 2013, two factories located in Mainland China were closed down. The provision and expenses for factory closures amounting to HK$45.9 million (2013: HK$57.6 million), including redundancy cost, provision for fixed assets and other expenses were recorded in the income statement.

Operating profit of the Manufacturing Business decreased by 47.8% to HK$78.7 million (2013: HK$150.8 million). The decrease was mainly due to rising operating costs during the transitional period of shifting production capacity from Mainland China to Southeast Asia. In Mainland China, social security standards and wage level were further enhanced and rose respectively in 2014, which in turn further pushed up the production costs in Mainland China. Besides, there was no gain on disposal of land use rights in Mainland China for the year 2014 (2013: HK$12.3 million) and there were net exchange losses of HK$13.2 million (2013: net exchange gains of HK$2.5 million), mainly arising from devaluation of RMB bank deposits in 2014.

In 2014, the Group continued to expand its production capacities gradually in Vietnam and Cambodia, where the labour costs are relatively lower and labour supply is relatively stable, in order to mitigate rising labour costs in Mainland China and meet the demand of new orders from customers.

Distribution and Retail Business

In 2013, the Group had discontinued the distribution and retail of Diadora branded products and retail of Umbro branded products (the "**discontinued operations**"). On the other hand, the Group had converted the convertible bonds of Shine Gold into shares on 1 November 2013 and started to consolidate its results upon the conversion. The Shine Gold Group is principally engaged in the retail of high-end fashion products in Hong Kong, Macau, Mainland China, Taiwan and Singapore. Since then, this segment has expanded to include the retail business of sportswear products and high-end fashion products (the "**continuing operations**").

Continuing Operations

Revenue of continuing operations increased significantly by HK$502.4 million to HK$769.6 million (2013: HK$267.2 million), accounting for 21.5% of the Group's total revenue from continuing operations (2013: 9.0%). The significant increase was mainly due to the full year effect of the new retail business of high-end fashion products, which has been consolidated into the Group since 1 November 2013.

Operating loss of continuing operations was HK$39.1 million (2013: HK$6.2 million). Further discussion of the performance in each stream of this segment is presented below.

Retail of Sportswear Products

The retail of sportswear products is operated under the Win Sports Group. As at 31 December 2014, the Win Sports Group has 19 (2013: 18) self-managed sportswear retail shops in Hong Kong, of which 3 shops were under the name of "***Futbol Trend***", 7 shops were under the name of "***Sports Corner***" or "***Little Corner***" and 9 shops bearing the names of several international sports brands comprised the rest.

Revenue from the sportswear retail business in Hong Kong for the year ended 31 December 2014 increased to HK$223.9 million (2013: HK$166.5 million) as a result of the increase in total retail floor area and enhancement of shop productivity.

Management Discussion and Analysis

For the year ended 31 December 2014, the Win Sports Group incurred an operating loss of HK$7.8 million (2013: HK$5.7 million) mainly due to the adoption of a more stringent inventory provision policy in view of competitive retail market in Hong Kong. A provision for inventory of HK$11.4 million was charged to the income statement for the year ended 31 December 2014 (2013: HK$5.7 million).

Retail of High-end Fashion Products

The retail of high-end fashion products is operated under the Shine Gold Group. It has a self-managed retail network of stores in the name of "***D-Mop***" to sell several self-owned brands "***Blues Heroes***", "***Loveis***", "***Queen 11***" etc., as well as imported brands, in Hong Kong, Macau, Mainland China and Taiwan. In addition, it has exclusive distribution rights for brands including "***Y-3***" in Hong Kong, Mainland China (excluding Beijing), Taiwan and Singapore, and certain Japanese brands in Hong Kong.

As at 31 December 2014, the Shine Gold Group had 79 (2013: 75) self-managed high-end fashion retail shops, of which 27 were in Hong Kong and Macau, 41 were in Mainland China, 10 were in Taiwan and one was in Singapore.

Revenue from the high-end fashion retail business for the year ended 31 December 2014 increased to HK$545.7 million (2013: HK$100.7 million). The increment was mainly due to the full year effect as the Shine Gold Group has been consolidated into the Group since 1 November 2013.

For the year ended 31 December 2014, the Shine Gold Group incurred an operating loss of HK$31.3 million (2013: HK$0.5 million) mainly resulting from amortisation of licence rights and trademarks arising from its acquisition. Excluding the amortisation expenses of HK$44.6 million (2013: HK$7.4 million), the Shine Gold Group would have had an operating profit of HK$13.3 million (2013: HK$6.9 million).

Discontinued Operations

In the past few years, Mainland China's sportswear industry has been facing challenges stemming from excessive inventory and over-expansion. In this tough business environment, the performance of our distribution and retail business of Diadora and Umbro branded products was unsatisfactory. Despite the remedial actions taken by the Group, there was still little improvement. Therefore, to reduce further losses, the Group had discontinued the distribution and retail of Diadora branded products and the retail of Umbro branded products in 2013.

PROSPECTS

Manufacturing Business

With rising production costs and higher customs duties in Mainland China, the Group will continue its planned shift of production capacity outside Mainland China to Southeast Asia. As at the end of 2014, around 50% of production capacity was successfully shifted to Vietnam and Cambodia while around 50% of production capacity remains in Mainland China. It is expected that 70% of production capacity will be relocated to Vietnam and Cambodia by the end of 2015. The labour supply in Vietnam and Cambodia is relatively stable and the labour costs are relatively lower. The higher proportion of production in Southeast Asia should provide the Group a more cost-effective position. In addition, the lower customs duties for exports from Southeast Asian countries to Europe and the United States will benefit our customers.

Despite a business environment characterised by rising costs, the Group will strive its utmost to fulfill orders from existing customers in order to solicit more orders while enhancing various measures to maximise production and management efficiency.

Distribution and Retail Business

The retail market in Hong Kong will remain tough as rentals remain high and staff costs continue to rise. Our strategy for the retail business in Hong Kong will be conservative with the focus on improving the efficiency of existing shops.

In Mainland China's retail market, an increasing number of foreign and local brands are expanding their operation, which has intensified competition and prolonged the extensive discounting. Although we expect the demand of high-end fashion products in Mainland China to continue driven by the ongoing increase in disposable incomes of consumers there, we will maintain a cautious approach to expansion of physical shops with a focus on products with higher margins. As online shopping offers tremendous potential in Mainland China, the Shine Gold Group has launched its e-commerce business in December 2014 at Tmall.com, JD.com, Shangpin.com, and Secoo.com.

Besides, in response to the market trends, the Group's merchandising team will continue to source fashion products of international renowned brands. The Group will strive to cater for the Asian market's demand for quality branded products through a diversity of licensed bands and the Group's own brands through our retail network.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and bank facilities and has maintained a healthy financial position during the year under review. As at 31 December 2014, it had cash and cash equivalents amounting to HK$711.2 million (2013: HK$872.0 million). The decrease was mainly attributed to the cash generated from operating activities net with cash used in capital expenditures, repayment of borrowings and payment of dividends.

As at 31 December 2014, the Group had bank borrowings amounting to HK$113.0 million (2013: HK$154.7 million). The Group did not enter into any interest rate swap to hedge against risks associated with interest rates. As at 31 December 2014, the Group still had unutilised banking facilities amounting to HK$205.8 million (2013: HK$250.6 million). The gearing ratio, being total borrowings divided by total equity, as at 31 December 2014, was 5.6% (2013: 7.3%).

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group had approximately 14,000 employees (2013: approximately 14,500 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and a share option scheme.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2014, bank deposit of HK$9.3 million (2013: HK$9.3 million) was pledged to secure banking facilities for the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the year.

FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases were mostly denominated in US Dollars, Hong Kong Dollars and RMB. During the year, approximately 70.4%, 15.5% and 12.0% of sales were denominated in US Dollars, Hong Kong Dollars and RMB, respectively, whereas approximately 77.3%, 17.7% and 4.3% of purchases were denominated in US Dollars, Hong Kong Dollars and RMB, respectively. Further, as at 31 December 2014, approximately 66.5%, 26.2% and 6.8% of cash and cash equivalents and bank deposits were denominated in RMB, US Dollars and Hong Kong Dollars, respectively.

The Group considered that the foreign currency exchange exposure arising from the above transactions and cash balances was minimal during the year on the ground that Hong Kong dollars were pegged against US dollars and the recent pressure from the devaluation of RMB was manageable during the year. Accordingly, the Group considered that the use of derivative instruments to hedge against foreign currency exposure arising from the above transactions and cash balances was not necessary during the year under review.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities, litigation or arbitration of material importance as at 31 December 2014.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LI Kwok Tung Roy, aged 64, is our executive Director, co-founder and Chairman. He was appointed as an executive Director in December 2005. Mr. LI is the elder brother of Mr. LEE Kwok Leung. Mr. LI is responsible for strategic planning and overall management of our Group. Mr. LI has over 35 years of experience in the apparel industry and handling client relationship. Mr. LI is a committee member of the Chinese People's Political Consultative Conference in He Yuan city, Guangdong province of Mainland China.

Mr. LI is currently the director of certain subsidiaries of the Company. He is also the director of Quinta Asia Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" in this annual report.

LAI Ching Ping, aged 64, is our executive Director, co-founder and Deputy Chairman. He was appointed as an executive Director in December 2005. Mr. LAI assists the Chairman in board management and provides advice on the Group's direction and critical decision. Mr. LAI has over 35 years of experience in the apparel industry. Mr. LAI is a committee member of the Chinese People's Political Consultative Conference in Yun Fu city, Guangdong province of Mainland China.

Mr. LAI is currently the director of certain subsidiaries of the Company. He is also the director of Quinta Asia Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" in this annual report.

LEE Kwok Leung, aged 52, is our executive Director and Chief Executive Officer. He was appointed as an executive Director in February 2006 and is currently the director of certain subsidiaries of the Company. Mr. LEE is the younger brother of Mr. LI Kwok Tung Roy. Mr. LEE is responsible for overall management, strategy planning, execution and technology implementation of our Group. Mr. LEE has been with us for over 25 years after his graduation from the York University in 1987 with a Bachelor of Arts degree.

CHOW Chi Wai, aged 56, is our executive Director and Chief Operating Officer. Dr. CHOW joined us in 1985 who was appointed as an executive Director in February 2006. He then resigned in January 2009 upon his retirement and re-joined the Company in January 2012 as a director of a subsidiary of the Company. Dr. CHOW was re-appointed as an executive Director in January 2014 and is currently a director of a subsidiary of the Company. Dr. CHOW reports to the Chief Executive Officer in overall execution of our Manufacturing Business and has over 25 years of experience in apparel production management.

Dr. CHOW received his education in Hong Kong and obtained a Higher Certificate in Textile Technology and an Endorsement Certificate in Textile Management, both from the Hong Kong Polytechnic, in 1983 and 1985, respectively. Dr. CHOW was conferred a Certified Six Sigma Black Belt by International Academy for Quality Certification in April 2005 and became an honourable citizenship of He Yuan city, Guangdong province of Mainland China, in 2008. Dr. CHOW obtained his Doctor of Business Administration from the City University of Hong Kong in 2012.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Kwong Fai, aged 68, is our independent non-executive Director. Dr. CHAN joined us in April 2006. Dr. CHAN has been in the academic field for over 35 years and is currently an Associate Professor at the Department of Management and Marketing of the Hong Kong Polytechnic University. Dr. CHAN is also an author of several publications in the business management area. Dr. CHAN graduated from the Chinese University of Hong Kong with a Bachelor degree in Social Science in 1971 and obtained his Master of Business Management from the University of Adelaide and Doctor of Philosophy from the University of South Australia in 1981 and 2004 respectively.

KWAN Kai Cheong, aged 65, is our independent non-executive Director. He joined us in April 2006. Mr. KWAN is currently the president of Morrison & Company Limited, a business consultancy firm, and an independent non-executive director of several listed companies in Hong Kong including Henderson Sunlight Asset Management Limited, United Photovoltaics Group Limited, Greenland Hong Kong Holdings Limited, Dynagreen Environmental Protection Group Co., Ltd., HK Electric Investments and HK Electric Investments Limited and CK Life Sciences Int'l., (Holdings) Inc. He is also a non-executive director of China Properties Group Limited, shares of which are listed on the Stock Exchange.

Mr. KWAN previously worked for Merrill Lynch & Co. Inc. and was the president for its Asia Pacific region. He was an independent non-executive director of Galaxy Resources Limited and China Oceanwide Holdings Limited (formerly known as Hutchison Harbour Ring Limited) until June 2014 and December 2014 respectively.

Mr. KWAN completed the Stanford Executive Program in 1992. He also holds a Bachelor of Accountancy (Honours) degree from the University of Singapore. He is a fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors.

MA Ka Chun, aged 63, is our independent non-executive Director. Mr. MA joined us in June 2006. Mr. MA has been in the apparel industry for over 25 years and is currently a director of Fashionmark Holdings Limited, principally engaging in the manufacture of apparels for some international fashion brands with production bases in Zhuhai and Zhongshan, Mainland China. Mr. MA holds a Bachelor of Social Science degree from the University of Hong Kong.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

WONG Chi Keung, aged 48, is our Chief Financial Officer who joined us in March 2014 and has more than 22 years of experience in accounting, auditing and finance. Between 2006 and 2013, Mr. WONG served as the chief financial officer for a number of sino-foreign joint venture and Hong Kong and US listed companies, including China Dongxiang (Group) Co., Ltd. and Besunyen Holdings Company Limited, both companies listed on the Stock Exchange. Between 2002 and 2006, Mr. WONG worked at various operating entities of China Netcom Group, including serving as a senior finance manager of China Netcom Group Corporation (Hong Kong) Limited, a company previously listed on the Main Board of the Stock Exchange. Between 1989 and 1999, Mr. WONG worked for PricewaterhouseCoopers, an international public accounting firm and lastly as an audit manager. Mr. WONG is currently an independent non-executive director of Sinomax Group Limited, a company listed on the Stock Exchange.

Mr. WONG obtained a Bachelor degree in Business Administration from the Chinese University of Hong Kong in 1989 and a Master degree in Business Administration from the Australian Graduate School of Management in 2002. Mr. WONG is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

WONG Yiu Sun, aged 51, is the managing director of the Shine Gold Group and has over 20 years of experience in fashion retail industry. Mr. WONG is the founder of the Shine Gold Group and joined the Company after the subscription of Shine Gold's convertible bonds in 2011. He is jointly responsible for overall strategic planning, marketing and management functions of the Shine Gold Group. He has successfully introduced various prestigious brands to Asia. Mr. WONG obtained a professional diploma in Fashion and Clothing Technology from Hong Kong Polytechnic University in 1989.

CHAN Yuk Lin, aged 47, is the managing director of the Win Sports Group and has 20 years of experience in retail industry. Ms. CHAN joined us in July 2008 as the general manager and was promoted to be the managing director of the Win Sports Group in March 2011 overseeing the retail business in Mainland China and Hong Kong. Prior to joining us, she had been the general manager of Lafuma Hong Kong Limited, the division manager of retail merchandising and the department manager of sourcing of Swire Resources Limited, assistant section manager of China retail operations of Texwood and Apple Limited. She obtained a Master degree in Clothing (Marketing and Distribution) from the Manchester Metropolitan University in UK in 1993.

LAM Choi Ha, aged 36, is our Company Secretary responsible for handling the company secretarial and compliance affairs of the Group. Ms. LAM joined us in November 2005 and was promoted to be the Company Secretary in September 2010. Prior to joining us, Ms. LAM has worked in the accountancy profession with PricewaterhouseCoopers. Ms. LAM obtained a Bachelor degree in Business Administration from the Hong Kong Baptist University in 2001. Ms. LAM is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Board recognises the importance of incorporating elements of good corporate governance into the management structure and the internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated.

During the year under review, the Company has applied the principles and complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board.

The Board is responsible for governing the Group and managing assets entrusted by the Shareholders. Its principal responsibilities include formulating the Group's business strategies and management objectives, monitoring and overseeing the performance of the Group, setting the Group's values and standards and ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed.

The day-to-day operations of the Group are delegated to the Chief Executive Officer and the management of the Group. The delegated functions and work tasks are periodically reviewed.

Composition

The Board currently comprises four executive Directors and three independent non-executive Directors, whose biographical details and family relationships among the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 13.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operation and development of the Group.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Having made enquiry to all Directors, they all have confirmed that they have complied with the required standards as set out in the Model Code during the year.

All Directors are also reminded not to deal in the securities of the Company within 30 days and 60 days before the interim and the annual results announcements respectively and prohibited to make use of inside information to deal in the securities of the Company.

Inside Information Policy

The Board has adopted the Inside Information Policy in 2013 which contains the guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are clearly segregated.

The Chairman of the Board is Mr. LI Kwok Tung Roy and his principal role is to provide leadership for the Board on corporate and strategic planning, ensure proper proceedings of the Board and encourage all Directors to have active contributions to the Board's affairs.

The Chief Executive Officer is Mr. LEE Kwok Leung. Supported by the other executive Directors and the management, his principal role is to manage and operate the Group's day-to-day business, including the implementation of major strategies and initiatives adopted by the Board.

Responsibilities, Accountability and Contribution of the Board and Management

The management of the Company is led by the executive Directors of the Board and has been delegated powers and authorities to carry out the day-to-day operations of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The management assumes full accountability to the Board for the operations of the Group.

The Board had given clear directions to the management, while certain matters (including the following) must be reserved to the Board for its approval:

(a) Publication of final and interim results of the Company;

(b) Decisions on whether or not to declare, recommend and pay dividend;

(c) Changes to major group structure or Board composition;

(d) Notifiable or connected transactions within the meaning of Chapters 14 and 14A of the Listing Rules; and

(e) Matters specifically set out in the Listing Rules which require approval at a full Board Meeting.

Relationship Between the Board Members

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management", none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship) between each other.

Continuous Professional Development

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations as a director under the Listing Rules and relevant regulatory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities.

During the year under review, the Company has arranged training sessions to Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. LEE Kwok Leung, Dr. CHOW Chi Wai, Dr. CHAN Kwong Fai, Mr. KWAN Kai Cheong and Mr. MA Ka Chun conducted by external professional bodies to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

Appointment of Independent Non-Executive Directors

Independent non-executive Directors serve the function of bringing independent judgment on the development, performance and risk management of the Group. Each of the independent non-executive Directors has been appointed for a term of three years and subject to retirement by rotation at least once every three years.

Dr. CHAN Kwong Fai, Mr. KWAN Kai Cheong and Mr. MA Ka Chun have been the independent non-executive Directors of the Company since April 2006, April 2006 and June 2006 respectively. All of them have not engaged in any executive management of the Group since their appointments and the Company has received from each of them the confirmations of independence according to Rule 3.13 of the Listing Rules. Taking into consideration of their independent scopes of work in the past years, the Board considers that each of them to be independent under the Listing Rules despite the fact that they have served the Company for almost nine years. The Board believes that their continued tenures bring considerable stability to the Board and the Board has benefited greatly from the presence of each of them who has over time contributed valuable insight into the Group.

Board Committee

Certain committees have been set up under the Board to supervise the management and administrative functions of the Group. They include:

Remuneration Committee

The Company established the Remuneration Committee on 18 April 2006 with written terms of reference which were revised on 29 March 2009 and 9 March 2012 in compliance with the Listing Rules. The primary duties of the Remuneration Committee include making recommendations to the Board on the policy and structure of all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions. The emolument policy for independent non-executive Directors, mainly comprising directors' fees, is subject to an annual assessment with reference to the market standard. Individual director and senior management would not be involved in deciding their own remuneration.

During the year under review, the Remuneration Committee has assessed performance of the executive Directors and reviewed and determined their remuneration packages. The remuneration of Directors comprises basic salary, pensions and discretionary bonus. Details of the amount of emoluments of Directors for the year ended 31 December 2014 are set out in Note 25(b) to the consolidated financial statements.

The remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration band:	**Number of individuals**	
	2014	2013
Nil–HK$1,000,000	**2**	2
HK$1,000,001–HK$1,500,000	**—**	1
HK$1,500,001–HK$2,000,000	**1**	—
HK$3,000,001–HK$3,500,000	**1**	—

Members of the Remuneration Committee comprise Dr. CHAN Kwong Fai (Chairman), Mr. LI Kwok Tung Roy and Mr. KWAN Kai Cheong, two of whom are independent non-executive Directors.

Nomination Committee

The Company established the Nomination Committee on 18 April 2006 with written terms of reference which were revised on 29 March 2009, 9 March 2012 and 10 December 2013 in compliance with the Listing Rules. The primary duties of the Nomination Committee include the following:

(a) To review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) Having regard to the board diversity policy of the Company, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) To assess the independence of independent non-executive Directors;

(d) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors;

(e) To monitor the implementation of the board diversity policy and to review as appropriate, such a policy to ensure its effectiveness; and

(f) To review its own performance, constitution and terms of reference at least once a year to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

The Board adopted a board diversity policy which sets out its approach to achieve diversity on the Board. The summary of the board diversity policy is set out as follows:

(a) The Board recognises and embraces the benefits of having a diverse Board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. The Board also sees diversity as an essential element in maintaining a competitive advantage and contributing to the attainment of the strategic objectives and sustainable development of the Company;

(b) The Board believes that a diversity of perspectives can be achieved through consideration of a number of factors, including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors; and

(c) These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately having regard to the Company's own business model and specific needs. The ultimate decision of all Board appointments should be based on meritocracy and the likely contributions that the selected candidates will bring to the Board.

The following is a summary of work performed by the Nomination Committee in 2014:

(a) review of the structure, size, composition and diversity of the Board;

(b) review of the appointment and re-election of the Directors by rotation, as well as review of the independency of the independent non-executive Directors during the year; and

(c) review of the extension of service agreement and appointment letters of the Directors.

Members of the Nomination Committee comprise Mr. MA Ka Chun (Chairman), Mr. LI Kwok Tung Roy and Dr. CHAN Kwong Fai, two of whom are independent non-executive Directors.

Audit Committee

The Company established the Audit Committee on 18 April 2006 with written terms of reference which were revised on 29 March 2009 and 9 March 2012 in compliance with the Listing Rules. The primary duties of the Audit Committee include the following:

(a) To recommend the Board on the appointment, reappointment and removal of external auditor, and to approve their remuneration and terms of engagement;

(b) To monitor the integrity of the Group's financial statements, annual reports and interim reports;

(c) To review the Group's financial control, internal control and risk management system;

(d) To discuss with the management the internal control system and ensure that the management has performed its duty to have an effective internal control system; and

(e) To review the Group's financial and accounting policies and practices.

In addition, the Audit Committee has been delegated by the Board to be responsible for performing the corporate governance functions that are listed as follows:

(a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) To review and monitor the training and continuous professional development of the Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to our employees and Directors; and

(e) To review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The following is a summary of work performed by the Audit Committee in 2014:

(a) review of and recommendation for the Board's approval of the consolidated financial statements for the year ended 31 December 2013 and unaudited interim consolidated financial information for the six months ended 30 June 2014 with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;

(b) discussion with the external auditor and the management on accounting policies and practices;

(c) review of the external auditor's significant audit matters;

(d) review of the effectiveness of the Company's internal control system covering financial, operational and compliance controls and risk management functions;

(e) consider the adequacy of resources, qualification and experience of staff of our Company's accounting and financial reporting function, and training programmes and budget;

(f) approval of the audit fees and terms of engagement of the external auditor;

(g) review of independence of the external auditor and recommendation to the Board on the re-appointment of the external auditor; and

(h) determine the policy for the corporate governance of the Company and duties delegated by the Board.

Members of the Audit Committee comprise Mr. KWAN Kai Cheong (Chairman), Dr. CHAN Kwong Fai and Mr. MA Ka Chun, all being independent non-executive Directors.

Attendance of Meetings

The Board holds regular Board meetings, Remuneration Committee meeting, Nomination Committee meeting and Audit Committee meetings to discuss the Group's businesses, operations, development and conduct. All important issues are discussed in a timely manner. The attendance record of each Director at the aforesaid meetings is set out below:

	Number of meetings attended/eligible to attend for the year ended 31 December 2014				
Name of Director	**Board Meeting**	**General Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Audit Committee Meeting**
Executive Directors					
Mr. LI Kwok Tung Roy[1,3]	4/4	2/2	1/1	1/1	N/A
Mr. LAI Ching Ping	4/4	2/2	N/A	N/A	N/A
Mr. LEE Kwok Leung	4/4	2/2	N/A	N/A	N/A
Dr. CHOW Chi Wai *(appointed on 2 January 2014)*	4/4	1/2	N/A	N/A	N/A
Mr. CHEUNG Chi *(resigned on 5 June 2014)*	1/2	0/2	N/A	N/A	N/A
Independent Non-Executive Directors					
Dr. CHAN Kwong Fai[2,3,5]	4/4	1/2	1/1	1/1	2/2
Mr. KWAN Kai Cheong[1,6]	4/4	2/2	1/1	N/A	2/2
Mr. MA Ka Chun[4,5]	4/4	1/2	N/A	1/1	2/2

Notes:

1. Members of Remuneration Committee
2. Chairman of Remuneration Committee
3. Members of Nomination Committee
4. Chairman of Nomination Committee
5. Members of Audit Committee
6. Chairman of Audit Committee

FINANCIAL REPORTING AND INTERNAL CONTROL

Responsibilities in respect of the Financial Statements

The Board acknowledges its responsibility for preparing the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. The principal accounting policies, which have been consistently applied to all the years, adopted for the preparation of financial statements of the Group are set out in Note 2 to the consolidated financial statements.

The reporting responsibility of the Company's external auditor on the financial statements of the Group is set out in the independent auditor's report on pages 34 and 35 of this annual report.

Auditors' Remuneration

During the year under review, the fees payable to the Company's external auditor, PricewaterhouseCoopers are set out as follows:

Nature of services	HK$'000
Audit services	3,700
Non-audit services *(Note)*	637
	4,337

Note: Non-audit services include review of interim financial information, certain agreed-upon procedures, limited assurance engagement and taxation related services.

Internal Control

The Board is responsible for the Group's internal control procedures and for reviewing the effectiveness of the Group's internal control system which includes financial, operational and compliance controls and risk management functions.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective.

During the year under review, the Board has conducted a review of, and is satisfied with, the effectiveness of the internal control system of the Group.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Communication with Shareholders

The Company had established a shareholders' communication policy in March 2012 and shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways:

(a) the holding of annual general meetings and extraordinary general meetings, if any which may be convened for specific purposes, which provide opportunities for the Shareholders to communicate directly to the Board;

(b) the publication of announcements, annual reports, interim reports and circulars on the websites of the Company and the Stock Exchange;

(c) publication of press releases of the Company providing updated information of the Group;

(d) the availability of latest information of the Group on the Company's website;

(e) the holding of investor/analyst briefings and media conference from time to time; and

(f) meeting with investors and analysts on a regular basis.

Convening an extraordinary general meeting of the Company ("EGM")

Pursuant to article 58 of the articles of association of the Company, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

There are no provisions allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law (2011 Revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Voting by Poll

The articles of association of the Company set out the procedures, requirements and circumstances where voting by poll is required. Pursuant to Rule 13.39 of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The poll results will be published on the websites of the Company and the Stock Exchange as soon as possible after conclusion of the general meeting, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the general meeting.

Enquiries from Shareholders

Shareholders are welcomed to send their enquiries and concerns to the Board addressing to the Company Secretary of the Company through the following channels:

i) by mail to the Company's head office at 6th Floor, Phase 6, Hong Kong Spinners Industrial Building, 481–483 Castle Peak Road, Kowloon, Hong Kong;

ii) by email at ir@win-hanverky.com.hk; or

iii) by fax at (852) 3544-3316.

Changes to Constitutional Documents

During the year ended 31 December 2014, there was no significant change in the Company's constitutional documents, and these documents are published on the websites of the Company and the Stock Exchange.

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is principally engaged in the manufacturing, distribution and retailing of garment products, including sportswear, golf and high-end fashion apparel and related accessories. Sales are primarily under an OEM arrangement to customers in Europe, North America and Mainland China and distribution and retail modes in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 20 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 21 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 40 and 41 of this report, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2014, the Company's reserves available for distributions to Shareholders amounted to HK$1,068.3 million (2013: HK$981.6 million). Details of movements in the reserves of the Company are set out in Note 21 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 38 of this report.

The Board recommended a payment of final dividend of HK4.0 cents per Share for the year ended 31 December 2014, subject to Shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 11 June 2015, payable to the Shareholders whose names appear on the register of members of the Company on Friday, 19 June 2015. The dividend will be paid on or about Tuesday, 30 June 2015.

The Board has also declared an interim dividend of HK3.0 cents per Share for the six months ended 30 June 2014.

CLOSURES OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the forthcoming annual general meeting

The register of members of the Company will be closed from Tuesday, 9 June 2015 to Thursday, 11 June 2015 (both days inclusive), during which period no transfer of Shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of Shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 June 2015.

(b) Entitlement to the proposed final dividend

The register of members of the Company will be closed on Friday, 19 June 2015, during which no transfer of Shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of Shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 June 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

DONATION

During the year under review, the Group made charitable and other donations totaling HK$0.5 million.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights under the laws of Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

DIRECTORS' INTEREST IN CONTRACTS

Save for the related party transactions disclosed in Note 37 to the consolidated financial statements, no contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

DIRECTORS

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

Executive Directors

Mr. LI Kwok Tung Roy
Mr. LAI Ching Ping
Mr. LEE Kwok Leung
Dr. CHOW Chi Wai *(appointed on 2 January 2014)*
Mr. CHEUNG Chi *(resigned on 5 June 2014)*

Independent Non-Executive Directors

Dr. CHAN Kwong Fai
Mr. KWAN Kai Cheong
Mr. MA Ka Chun

According to Articles 87(1) and 87(2) of the Articles of Association, Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping and Mr. KWAN Kai Cheong shall retire at the annual general meeting by rotation and be eligible to offer themselves for re-election as a Director.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 13.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has a service contract with the Company for a term of three years and is subject to termination by either party giving not less than six months' written notice. Under the service contracts, each of the executive Directors is entitled to an annual discretionary management bonus in respect of each complete financial year of the Group as the Board may approve.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with a fixed term of office for three years which is determinable by either party giving not less than three months' written notice.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of information on Directors are as follows:

The service agreements of Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping and Mr. LEE Kwok Leung, the executive Directors, were renewed for a further term of 3 years commencing 29 January 2015, whilst other terms remained unchanged. Pursuant to the supplemental service agreements entered into with each of Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. LEE Kwok Leung and Dr. CHOW Chi Wai on 26 March 2015, all their remunerations have been adjusted with reference to remuneration benchmark in the industry and the prevailing market conditions. The updated annual remuneration of Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. LEE Kwok Leung and Dr. CHOW Chi Wai are approximately HK$4,500,000, HK$3,800,000, HK$2,400,000 and HK$2,100,000 respectively.

The letters of appointment of Dr. CHAN Kwong Fai, Mr. KWAN Kai Cheong and Mr. MA Ka Chun, the independent non-executive Directors, were also renewed for a further term of 3 years commencing 29 January 2015. All their directors' fees had also been adjusted with reference to remuneration benchmark in the industry and the prevailing market conditions, whilst other terms remained unchanged. The annual directors' fees of Dr. CHAN Kwong Fai, Mr. KWAN Kai Cheong and Mr. MA Ka Chun are HK$160,000, HK$240,000 and HK$160,000 respectively.

DIRECTORS' DISCLOSURE OF INTERESTS

As at 31 December 2014, the interests and short positions of the Directors and chief executive(s) of the Company (if any) 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 were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive has taken or deemed to have under such provisions of the SFO) and were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the Shares of the Company

Name of Directors	Capacity	Number of Shares	Percentage of interest in the Company*
Mr. LI Kwok Tung Roy	Interest in a controlled corporation	743,769,967[1]	58.64%
Mr. LAI Ching Ping	Beneficial owner	4,186,000	0.33%
Mr. LEE Kwok Leung	Beneficial owner	12,000,000[2]	0.95%
Dr. CHOW Chi Wai	Beneficial owner	36,908,000[3]	2.91%

* The calculation of percentages is based on 1,268,400,000 Shares in issue as at 31 December 2014.

Notes:

1. Mr. LI Kwok Tung Roy holds 70% of the issued share capital of Quinta Asia Limited ("**Quinta**"). Mr. LI Kwok Tung Roy has a controlling interest in Quinta and is therefore deemed to be interested in Quinta's interest in the Company for the purposes of the SFO.

2. Mr. LEE Kwok Leung is interested as a grantee of options to subscribe for 12,000,000 Shares under the Share Option Scheme.

3. Dr. CHOW Chi Wai is interested in 17,908,000 Shares held and is also interested as a grantee of options to subscribe for 9,000,000 Shares under the Pre-IPO Share Option Scheme and 10,000,000 Shares under the Share Option Scheme.

DIRECTORS' DISCLOSURE OF INTERESTS (Continued)

(b) Long positions in the shares of the Associated Corporation of the Company (as defined in the SFO)

Name of Directors	Associated corporation	Capacity	Number of shares	Percentage of interest in associated corporation
Mr. LI Kwok Tung Roy	Quinta	Beneficial owner	7	70%
Mr. LAI Ching Ping	Quinta	Beneficial owner	3	30%

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executive(s) or any of their respective associates had any interest or short position, whether beneficial or non-beneficial, in the shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, as far as the Directors were aware, the following persons (other than the Directors or chief executive(s) of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the Shares

Name	Capacity	Number of Shares	Percentage of interest in the Company*
Quinta	Beneficial owner	743,769,967	58.64%
Templeton Asset Management Limited	Investment manager	176,713,879	13.93%

* The calculation of percentages is based on 1,268,400,000 Shares in issue as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, the Company had not been notified by any person (other than the Directors or chief executive(s) of the Company) who had interests or short position in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PRE-IPO SHARE OPTIONS

In recognition of the contributions made by employees and a consultant of the Group towards its growth and success, on 10 May 2006, Pre-IPO Share Options (the exercise of which would entitle these grantees to an aggregate of 44,400,000 Shares) have been granted by the Company to, and accepted by, among others, certain employees.

Movements of the Pre-IPO Share Options for the year ended 31 December 2014 are as follows:

				Number of Pre-IPO Share Options			
Grantee	**Exercise price per Share HK$**	**Vesting date**	**Exercise period**	**As at 01/01/2014**	**Exercised during the year**	**Cancelled during the year**	**As at 31/12/2014**
Mr. LEE Kwok Leung *Executive Director*	2.28	06/09/2006	06/09/2006–09/05/2016	404,000	—	(404,000)	—
		30/06/2007	30/06/2007–09/05/2016	804,000	—	(804,000)	—
		30/06/2008	30/06/2008–09/05/2016	792,000	—	(792,000)	—
				2,000,000	—	(2,000,000)	—
Dr. CHOW Chi Wai *Executive Director*	1.14	30/06/2008	30/06/2008–09/05/2016	9,000,000	—	—	9,000,000
				9,000,000	—	—	9,000,000
Mr. CHEUNG Chi *(Note)*	1.596	06/09/2006	06/09/2006–09/05/2016	1,960,000	—	—	1,960,000
		30/06/2007	30/06/2007–09/05/2016	3,960,000	—	—	3,960,000
		30/06/2008	30/06/2008–09/05/2016	4,080,000	—	—	4,080,000
				10,000,000	—	—	10,000,000
Total				21,000,000	—	(2,000,000)	19,000,000

Note: Mr. CHEUNG Chi resigned as an executive Director with effect from 5 June 2014.

A summary of the principal conditions attached to the Pre-IPO Share Options is set out below:

1. Consideration

A cash consideration of HK$1.00 has been paid by each grantee of the Pre-IPO Share Options.

2. Option Period

Subject to other conditions as set out below, 10 years from the date of the offer of the respective Pre-IPO Share Options unless extended in writing by the Board (and approved by the Independent Non-Executive Directors) in its absolute discretion. Each of the Pre-IPO Share Options (to the extent not already exercised) shall lapse automatically at the end of such option period.

3. Exercised Periods and Exercise Price

As set out above.

PRE-IPO SHARE OPTIONS *(Continued)*

4. Other Conditions

The grant and/or exercise of each of the Pre-IPO Share Options is subject to the following additional conditions:

(a) the Pre-IPO Share Option cannot be exercised within the first six months after the commencement of dealings in the Shares;

(b) any exercise of the Pre-IPO Share Option may be made in part or in full subject to any further restrictions imposed by the Company, the Stock Exchange and/or the sponsor to the Company's listing as any of them see fit for the purposes of obtaining the Stock Exchange approval to the listing of and permission to deal in the Shares;

(c) any exercise of the Pre-IPO Share Option shall be further subject to any guidelines issued by the Company from time to time in order to ensure full compliance with the Listing Rules;

(d) the Pre-IPO Share Option is personal to the relevant grantee and may not be transferred or assigned;

(e) the Pre-IPO Share Option (to the extent not already exercised) shall lapse at the expiry of the option period as described in paragraph 2 above or otherwise in the following manner:

   (i) the grantee's personal representatives (if any) may exercise the Pre-IPO Share Option within 12 months from his death, upon the expiry of which the Pre-IPO Share Option (to the extent not already exercised) shall lapse automatically unless extended by the Board in its absolute discretion;

   (ii) the grantee's right to exercise the Pre-IPO Share Option shall not be affected by his/its cessation of employment, unless such cessation of employment arises from any serious misconduct, bankruptcy or conviction of any criminal offence involving integrity or honesty, in which case the Pre-IPO Share Option (to the extent not already exercised) shall lapse automatically on the his/its last date of employment with the Group;

   (iii) if the grantee breaches any term or condition of the Pre-IPO Share Option as described herein, the Pre-IPO Share Option (to the extent not already exercised) shall lapse automatically (unless otherwise directed by the Board in writing in its absolute discretion); and

(f) the grantee of the Pre-IPO Share Option shall adhere to any undertakings or restrictions that may be further imposed on them by the Stock Exchange or the sponsor to the Company's listing.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 8 August 2006, the Company has established a share option scheme (the "**Share Option Scheme**") whereby the Board may, at their discretion, invite any Directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the Group (subject to the eligibility requirements as set out therein). The total number of Shares available for issue under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date unless further Shareholders' approval has been obtained. In addition, the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other schemes adopted by the Group shall not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit being exceeded. The total number of Shares issued and to be issued upon the exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 months' period up to the date of grant to a substantial Shareholder or an independent non-executive director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK$5,000,000 unless further Shareholders' approval has been obtained; and to each other eligible person would not exceed 1% of the Shares in issue.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group. It also provides the eligible participants with an opportunity to acquire proprietary interests in the Company with a view to (a) motivate the eligible participants to optimise the performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Share Option Scheme shall be valid and effective for a period of ten years ending on 7 August 2016. The exercise price of options shall be determined by the Board and shall not be less than the highest of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options and the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer and the nominal value of a Share. An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof.

The accounting policy adopted for the share options is described in Note 2.22(b) to the consolidated financial statements.

SHARE OPTION SCHEME (Continued)

Movements of the options under the Share Option Scheme for the year ended 31 December 2014 are as follows:

Grantee	Date of grant	Exercise price per Share HK$	Vesting date	Exercise period	Number of options under the Share Option Scheme			
					As at 01/01/2014	Granted during the year	Cancelled during the year	As at 31/12/2014
Mr. LEE Kwok Leung *Executive Director*	16/07/2014 *(Note)*	0.946	16/07/2015	16/07/2015–15/07/2024	—	2,400,000	—	2,400,000
			16/07/2016	16/07/2016–15/07/2024	—	2,400,000	—	2,400,000
			16/07/2017	16/07/2017–15/07/2024	—	2,400,000	—	2,400,000
			16/07/2018	16/07/2018–15/07/2024	—	2,400,000	—	2,400,000
			16/07/2019	16/07/2019–15/07/2024	—	2,400,000	—	2,400,000
					—	12,000,000	—	12,000,000
Dr. CHOW Chi Wai *Executive Director*	09/01/2014	1.010	09/01/2015	09/01/2015–08/01/2024	—	2,000,000	—	2,000,000
			09/01/2016	09/01/2016–08/01/2024	—	2,000,000	—	2,000,000
			09/01/2017	09/01/2017–08/01/2024	—	2,000,000	—	2,000,000
			09/01/2018	09/01/2018–08/01/2024	—	2,000,000	—	2,000,000
			09/01/2019	09/01/2019–08/01/2024	—	2,000,000	—	2,000,000
					—	10,000,000	—	10,000,000
An employee	16/07/2014	0.946	16/07/2015	16/07/2015–15/07/2024	—	1,000,000	—	1,000,000
			16/07/2016	16/07/2016–15/07/2024	—	1,000,000	—	1,000,000
			16/07/2017	16/07/2017–15/07/2024	—	1,000,000	—	1,000,000
			16/07/2018	16/07/2018–15/07/2024	—	1,000,000	—	1,000,000
			16/07/2019	16/07/2019–15/07/2024	—	1,000,000	—	1,000,000
					—	5,000,000	—	5,000,000
An employee	09/01/2014	1.010	09/01/2015	09/01/2015–08/01/2024	—	1,000,000	—	1,000,000
			09/01/2016	09/01/2016–08/01/2024	—	1,000,000	—	1,000,000
			09/01/2017	09/01/2017–08/01/2024	—	1,000,000	—	1,000,000
			09/01/2018	09/01/2018–08/01/2024	—	1,000,000	—	1,000,000
			09/01/2019	09/01/2019–08/01/2024	—	1,000,000	—	1,000,000
					—	5,000,000	—	5,000,000
Total					—	32,000,000	—	32,000,000

Note: The relevant share options were granted to Mr. LEE Kwok Leung on 16 July 2014 subject to the approval of the independent shareholders of the Company. Such grant was approved by the independent shareholders of the Company on 5 February 2015 and took retrospective effect from 16 July 2014.

Report of the Directors

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in Mainland China, Vietnam and Cambodia and certain Mandatory Provident Fund Schemes for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 25(a) to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively for the year ended 31 December 2014 were as follows:

	% of Sales	% of Purchases
The largest customer/supplier	68.8	10.6
Five largest customers/suppliers	75.0	37.3

To the best knowledge and belief of the Directors, none of the Directors, their associates or any Shareholder owning more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest customers or suppliers as disclosed above.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions, disclosed in Note 37 to the consolidated financial statements also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirement as applicable to the following continuing connected transactions under Chapter 14A of the Listing Rules.

The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

Sales to Amerseas Enterprises Limited ("Amerseas")

Each of Bowker Garment Accessories Company Limited ("**Bowker Accessories**") and Win Hanverky Textile Limited ("**Win Textile**"), the subsidiaries of our Company, has entered into a master agreement with Amerseas on 16 November 2011 for a term of three years ended 31 December 2014, pursuant to which (i) Bowker Accessories and its subsidiaries ("**Bowker Accessories Group**") agreed to supply garment accessories to Amerseas and its subsidiaries ("**Amerseas Group**"); and (ii) Win Textile agreed to supply fabrics to Amerseas Group.

TSG (BVI) Limited ("**TSG BVI**") was a substantial shareholder of Win Sports, a subsidiary of our Company, before the capitalisation of shareholder's loan by the Group on 22 December 2014, hence it was a Core Connected Person. Amerseas was a wholly-owned subsidiary of TSG BVI, therefore it was an associate of TSG BVI, hence it was also a Core Connected Person of our Company. Details of the capitalisation are included in Note 35(a) to the consolidated financial statements.

Our sales by Bowker Accessories Group and Win Textile to the Amerseas Group amounted to approximately HK$6,419,000 and Nil respectively for the year ended 31 December 2014, which did not exceed the relevant annual caps disclosed in the announcement dated 8 August 2013.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The Directors, including the independent non-executive Directors, have reviewed the continuing connected transactions made during the year ended 31 December 2014 and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better;

(3) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(4) have not exceeded the relevant annual caps as disclosed in previous announcements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 32 of this annual report in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has applied the principles and complied with the code provisions in the CG Code as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this annual report. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 14 to 22 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

The financial statements for the year ended 31 December 2014 have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2015.

By order of the Board
Win Hanverky Holdings Limited
LI Kwok Tung Roy
Chairman

Hong Kong, 26 March 2015

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF
WIN HANVERKY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 36 to 122, which comprise the consolidated and Company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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pwc

羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2015

Statements of Financial Position

As at 31 December 2014

		Group		Company	
	Note	**As at 31 December 2014 HK$'000**	As at 31 December 2013 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 December 2013 HK$'000
Non-current assets					
Land use rights	6	**107,267**	114,037	**—**	—
Property, plant and equipment	7	**674,264**	674,212	**—**	—
Intangible assets	8	**174,815**	219,428	**—**	—
Investments in subsidiaries	9	**—**	—	**1,579,871**	1,387,356
Investments in associates	10	**38,371**	40,585	**—**	—
Deferred income tax assets	19	**10,007**	10,160	**—**	—
Deposits, prepayments and other receivables	14	**94,956**	82,006	**—**	—
		1,099,680	1,140,428	**1,579,871**	1,387,356
Current assets					
Inventories	12	**556,633**	587,032	**—**	—
Trade and bills receivable	13	**367,392**	359,015	**—**	—
Current income tax recoverables		**1,275**	536	**—**	—
Deposits, prepayments and other receivables	14	**91,291**	74,175	**1,483**	979
Pledged bank deposits	15	**9,256**	9,281	**—**	—
Cash and cash equivalents	15	**711,175**	871,998	**309,890**	418,068
		1,737,022	1,902,037	**311,373**	419,047
Assets of discontinued operations and other non-current assets classified as held for sale	32	**3,625**	7,392	**—**	—
Total current assets		**1,740,647**	1,909,429	**311,373**	419,047
Current liabilities					
Trade and bills payable	16	**285,552**	335,208	**—**	—
Accruals and other payables	17	**248,008**	244,108	**7,580**	7,548
Current income tax liabilities		**29,568**	41,509	**950**	3,143
Borrowings	18	**113,021**	154,710	**—**	—
Amounts due to subsidiaries	37	**—**	—	**147,532**	149,707
		676,149	775,535	**156,062**	160,398
Liabilities of discontinued operations	32	**—**	7,355	**—**	—
Total current liabilities		**676,149**	782,890	**156,062**	160,398

The accompanying notes on pages 43 to 122 are an integral part of these consolidated financial statements.

Statements of Financial Position

As at 31 December 2014

	Note	Group		Company	
		As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 December 2013 HK$'000
Net current assets		**1,064,498**	1,126,539	**155,311**	258,649
Total assets less current liabilities		**2,164,178**	2,266,967	**1,735,182**	1,646,005
Non-current liabilities					
Deferred income tax liabilities	19	**25,625**	35,222	**—**	—
Net assets		**2,138,553**	2,231,745	**1,735,182**	1,646,005
Equity					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	**126,840**	126,840	**126,840**	126,840
Reserves	21	**968,201**	1,017,543	**1,206,965**	1,204,552
Retained earnings	21				
— Proposed final dividends		**50,736**	50,736	**50,736**	50,736
— Others		**996,153**	1,052,775	**350,641**	263,877
		2,141,930	2,247,894	**1,735,182**	1,646,005
Non-controlling interests		**(3,377)**	(16,149)	**—**	—
Total equity		**2,138,553**	2,231,745	**1,735,182**	1,646,005

The accompanying notes on pages 43 to 122 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 36 to 122 were approved by the Company's Board of Directors on 26 March 2015 and were signed on its behalf.

LI Kwok Tung Roy
Director

LAI Ching Ping
Director

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Continuing operations			
Revenue	5	**3,574,978**	2,951,279
Cost of sales	24	**(2,567,527)**	(2,208,093)
Gross profit		**1,007,451**	743,186
Selling and distribution costs	24	**(437,430)**	(166,023)
General and administrative expenses	24	**(496,140)**	(428,576)
Other expenses	22	**(32,018)**	(23,901)
Other income	22	**10,343**	4,414
Other (losses)/gains — net	23	**(12,641)**	15,499
Operating profit		**39,565**	144,599
Finance income	26	**16,059**	16,724
Finance costs	26	**(5,313)**	(2,949)
Finance income — net		**10,746**	13,775
Share of (losses)/profits of associates	10	**(2,246)**	4,198
Profit before income tax		**48,065**	162,572
Income tax expense	27	**(30,678)**	(38,179)
Profit from continuing operations		**17,387**	124,393
Discontinued operations			
Loss from discontinued operations	32	**—**	(8,888)
Profit for the year		**17,387**	115,505
Attributable to:			
Equity holders of the Company		**31,770**	151,205
Non-controlling interests		**(14,383)**	(35,700)
		17,387	115,505
Earnings per share from continuing operations and discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)			
Basic			
— from continuing operations	29	**2.5**	10.8
— from discontinued operations	29	**—**	1.1
		2.5	11.9
Diluted			
— from continuing operations	29	**2.5**	10.8
— from discontinued operations	29	**—**	1.1
		2.5	11.9
Dividends	30	**88,788**	88,788

The accompanying notes on pages 43 to 122 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Profit for the year		**17,387**	115,505
Other comprehensive income			
Items that may be reclassified to profit or loss			
Share of other comprehensive income of associates	21	**32**	695
Currency translation differences		**(17,487)**	16,030
Item that has been reclassified to profit or loss			
Realisation of accumulated exchange gain upon liquidation of a subsidiary	21	**(5,222)**	—
Total comprehensive income for the year		**(5,290)**	132,230
Total comprehensive income attributable to:			
Equity holders of the Company		**10,429**	166,903
Non-controlling interests		**(15,719)**	(34,673)
		(5,290)	132,230
Total comprehensive income attributable to equity holders of the Company from:			
Continuing operations		**10,429**	154,613
Discontinued operations		**—**	12,290
		10,429	166,903

The accompanying notes on pages 43 to 122 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the Company				
	Share capital (Note 20) HK$'000	Reserves (Note 21) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013	126,840	2,029,561	2,156,401	43,193	2,199,594
Comprehensive income					
Profit/(loss) for the year	—	151,205	151,205	(35,700)	115,505
Other comprehensive income					
Currency translation differences	—	15,003	15,003	1,027	16,030
Share of other comprehensive income of associates	—	695	695	—	695
Total other comprehensive income	—	15,698	15,698	1,027	16,725
Total comprehensive income	—	166,903	166,903	(34,673)	132,230
Transactions with owners					
Acquisition of subsidiaries (Note 36)	—	—	—	(8,844)	(8,844)
Changes in ownership interests in subsidiaries without change of control (Note 35(b))	—	13,378	13,378	(13,378)	—
Dividends paid to non-controlling interests of subsidiaries	—	—	—	(2,447)	(2,447)
Dividends paid					
— 2012 final	—	(50,736)	(50,736)	—	(50,736)
— 2013 interim	—	(38,052)	(38,052)	—	(38,052)
Total transactions with owners	—	(75,410)	(75,410)	(24,669)	(100,079)
Balance at 31 December 2013	126,840	2,121,054	2,247,894	(16,149)	2,231,745

The accompanying notes on pages 43 to 122 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the Company				
	Share capital (Note 20) HK$'000	Reserves (Note 21) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2014	126,840	2,121,054	2,247,894	(16,149)	2,231,745
Comprehensive income					
Profit/(loss) for the year	–	31,770	31,770	(14,383)	17,387
Other comprehensive income					
Currency translation differences	–	(16,151)	(16,151)	(1,336)	(17,487)
Share of other comprehensive income of associates	–	32	32	–	32
Realisation of accumulated exchange gain upon liquidation of a subsidiary	–	(5,222)	(5,222)	–	(5,222)
Total other comprehensive income	–	(21,341)	(21,341)	(1,336)	(22,677)
Total comprehensive income	–	10,429	10,429	(15,719)	(5,290)
Transactions with owners					
Changes in ownership interests in subsidiaries without change of control (Note 35(a))	–	(30,527)	(30,527)	30,527	–
Employee share option scheme					
— grant of share options	–	2,922	2,922	–	2,922
Dividends paid to non-controlling interests of subsidiaries	–	–	–	(2,036)	(2,036)
Dividends paid					
— 2013 final	–	(50,736)	(50,736)	–	(50,736)
— 2014 interim	–	(38,052)	(38,052)	–	(38,052)
Total transactions with owners	–	(116,393)	(116,393)	28,491	(87,902)
Balance at 31 December 2014	126,840	2,015,090	2,141,930	(3,377)	2,138,553

The accompanying notes on pages 43 to 122 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**171,802**	129,078
Interest paid		**(5,313)**	(2,949)
Hong Kong profits tax paid		**(40,811)**	(50,091)
Mainland China enterprise income tax paid		**(2,875)**	(4,174)
Overseas income tax paid		**(5,657)**	—
Net cash generated from operating activities		**117,146**	71,864
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	36	**—**	26,728
Interest received		**15,208**	14,163
Purchase of property, plant and equipment		**(168,716)**	(147,991)
Payment for land use rights		**(13,250)**	(77,000)
Deposit received for land use rights classified as held for sale		**31,175**	—
Proceeds from disposal of property, plant and equipment and land use rights	31(b)	**7,092**	609
Purchase of intangible asset	8	**—**	(800)
Proceeds from disposal of trademarks	32(b)	**10,530**	49,140
Addition of receivables from a lessor		**(27,300)**	—
Repayment of receivables from a lessor		**3,705**	—
Addition of pledged bank deposits		**—**	(3,002)
Release of pledged bank deposits		**—**	25,947
Dividends received from associates		**—**	2,340
Net cash used in investing activities		**(141,556)**	(109,866)
Cash flows from financing activities			
Increase in trust receipt import bank loan, net		**1,835**	1,074
Proceeds from bank borrowings		**—**	42,900
Repayment of bank loans		**(43,524)**	(152)
Decrease in amount due to non-controlling interests		**—**	(1,089)
Dividends paid to the Company's equity holders		**(88,788)**	(88,788)
Dividends paid to non-controlling interests		**(2,036)**	(2,447)
Net cash used in financing activities		**(132,513)**	(48,502)
Net decrease in cash and cash equivalents		**(156,923)**	(86,504)
Cash and cash equivalents at beginning of the year		**871,998**	946,565
Exchange (losses)/gains on cash and cash equivalents		**(3,900)**	11,937
Cash and cash equivalents at end of year	15	**711,175**	871,998

The accompanying notes on pages 43 to 122 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are engaged in the manufacturing and selling of garment products, including sportswear, golf and high-end fashion apparel, and related accessories. Sales are primarily under Original Equipment Manufacturing ("**OEM**") arrangements to customers in Europe, North America and Mainland China, and under distribution and retail modes in Mainland China, Macau, Hong Kong, Taiwan and Singapore. Its production bases are primarily located in Mainland China, Vietnam and Cambodia. Details of the principal subsidiaries of the Group are set out in Note 9 to these consolidated financial statements.

The Company is an exempted Company with limited liability under the Companies Law, Cap.22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). These consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2014, but do not have significant financial impact to the Group.

- Hong Kong Accounting Standard ("**HKAS**") 32 (Amendment), 'Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities'. This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. This is not currently applicable to the Group as the Group has no material offsetting of financial assets and financial liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) **(Continued)**

- HKAS 36 (Amendment), 'Recoverable Amount Disclosures for Impairment of Assets'. The Group has presented its financial statements in accordance with this amendment.

- HKAS 39 (Amendment), 'Financial Instruments: Recognition and measurement — Novation of Derivatives'. This is not currently applicable to the Group as the Group has no derivative financial instruments.

- HKFRS 10, 12 and HKAS 27 (Amendment), 'Consolidation for Investment Entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made to HKFRS 12 to introduce disclosures that an investment entity needs to make. The Group has presented its financial statements in accordance with this amendment.

- HK(IFRIC) — Int 21, 'Levies'. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. It does not have significant impact to the Group.

(b) The following new and amended standards have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted.

- HKAS 19 (Amendment), 'Defined Benefit Plans' (effective for periods beginning on or after 1 July 2014)

- HKAS 16 and HKAS 38 (Amendment), 'Acceptable Methods of Depreciation and Amortisation' (effective for periods beginning on or after 1 January 2016)

- HKAS 16 and HKAS 41 (Amendment), 'Agriculture: Bearer Plants' (effective for periods beginning on or after 1 January 2016)

- HKAS 27 (Amendment), 'Separate Financial Statements' (effective for periods beginning on or after 1 January 2016)

- HKFRS 9, 'Financial Instruments' (effective for periods beginning on or after 1 January 2018)

- HKFRS 10 and HKFRS 28 (Amendment), 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (effective for periods beginning on or after 1 January 2016)

- HKFRS 11 (Amendment), 'Accounting for Acquisitions of Interests in Joint Operations' (effective for periods beginning on or after 1 January 2016)

- HKFRS 14, 'Regulatory Deferral Accounts' (effective for periods beginning on or after 1 January 2016)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) **(Continued)**

— HKFRS 15, 'Revenue from Contracts with Customers' (effective for periods beginning on or after 1 January 2017)

— HKFRSs (Amendment), Annual Improvements 2012-2013 (effective for periods beginning on or after 1 July 2014)

— HKFRSs (Amendment), Annual Improvements 2014 (effective for periods beginning on or after 1 January 2016)

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(d) Certain comparative figures have been reclassified to conform to the current year's presentation.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership of interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain and losses on dilution of equity interest in associates are recognised in the income statement.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee comprising the executive directors who make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Land and buildings comprise mainly manufacturing factories and offices. Leasehold land classified as finance leases and all other property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress represents buildings and leasehold improvements in which construction work has not been completed and plant, machinery and equipment pending for installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses, if any. No depreciation is provided for construction in progress until it is completed and available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land with unlimited useful life is not depreciated. Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Leasehold land classified as finance lease	Over the lease terms
— Buildings	10 to 50 years
— Leasehold improvements	3 to 10 years or over the lease terms, whichever is shorter
— Plant and machinery	4 to 10 years
— Furniture and equipment	3 to 10 years
— Motor vehicles and yacht	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other (losses)/gains — net' in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Land use rights

The up-front prepayments made for land use rights are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Group's interest in, net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and licence rights

Separately acquired trademarks and licence rights are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 2 to 20 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

Classification

The Group's financial assets comprise of loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprised trade and bills receivable, deposits and other receivables, pledged bank deposits and cash and cash equivalents in the statement of financial position.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a '**loss event**') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Non-current assets held-for-sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down, and the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Borrowing costs

General and specific 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.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(a) Pension obligations

Group companies operate several defined contribution retirement schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates two equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity’s share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earliest of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Wholesales sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time of delivery of goods.

Retail sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card.

(b) Service income

Service income is recognised when services are provided.

(c) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(d) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.26 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.27 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.28 Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

2.29 Financial guarantee

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. The Company has given certain financial guarantees to banks, financial institutions and other bodies on behalf of its subsidiaries or associates to secure loans, overdrafts and other banking facilities. The Company does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than the amount of the present legal or constructive obligation, the entire difference is recognised in the income statement immediately.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk.

The Group's risk management programme focuses on the unpredictability of financial markets and, where considered necessary, seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures to changes in foreign currency exchange rates and interest rates.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi and United States Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

As at 31 December 2014, if Chinese Renminbi had strengthened by 5% (2013: 5%) against the Hong Kong Dollars with all other variables held constant, profit for the year would have been approximately HK$13,784,000 (2013: HK$16,828,000) higher mainly as a result of foreign exchange gains on translation of Chinese Renminbi denominated cash and cash equivalents, trade and other receivables, offset by the foreign exchange losses on translation of Chinese Renminbi denominated trade and other payables.

The foreign currency exchange exposure on assets and liabilities denominated in United States Dollars is considered to be minimal as Hong Kong Dollars is currently pegged to United States Dollars.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, deposits and other receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Debtors of the Group may be affected by the unfavourable economic conditions and the lower liquidity situation which could in turn impact their ability to repay the amounts owed to the Group. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected updated estimates of expected future cash flows in their impairment assessments.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. It performs periodic credit evaluations/reviews of its customers.

Majority of trade receivables are with customers having an appropriate credit history. The Group grants its customers credit terms ranging from 30 to 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks.

As at 31 December 2014, the Group's trade receivables due from one group of customers (2013: one group of customers) represent approximately 73% (2013: 75%) of its total trade receivables from third parties (Note 13).

The Group has policies to place deposits and cash and cash equivalents only with major financial institutions. Management does not expect any losses from non-performance by these financial institutions as they have no default history in the past.

In addition, credit risk also arises from deposits and other receivables. Management performs regular assessment on credit risk associated with these amounts based on the counterparties' repayment history, financial position and other factors. Management does not expect any losses from non-performance by the counterparties as they have no default history in the past.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and term deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As at 31 December 2014 and 2013, all financial liabilities of the Company are due within one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	
	2014	2013
	HK$'000	HK$'000
Group		
Borrowings and interest payment	**114,006**	156,404
Trade and bills payable	**285,552**	335,208
Accruals and other payables	**214,443**	241,571
	614,001	733,183
Company		
Accruals and other payables	**7,580**	7,548
Amounts due to subsidiaries	**147,532**	149,707
	155,112	157,255

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest-rate risk

As at 31 December 2014, the Group holds interest bearing assets including the pledged bank deposits of HK$9,256,000 (2013: HK$9,281,000), short-term bank deposits of HK$667,104,000 (2013: HK$809,537,000) and receivables from a lessor of HK$58,695,000 (2013: Nil) which carried weighted average interest rates of 1.64% per annum (2013: 1.54% per annum), 2.23% per annum (2013: 1.54% per annum) and 5% per annum (2013: Nil), respectively. Except for the receivables from a lessor which are at fixed rate, other interest bearing assets are at floating rates.

Except for the short-term borrowings of HK$113,021,000 as at 31 December 2014 (2013: HK$154,710,000), the Group has no other significant interest-bearing liabilities.

At the respective end of the reporting periods, if interest rates had been increased by one percentage point and all other variables were held constant, the Group's profit before tax would increase by approximately HK$5,633,000 for the year ended 31 December 2014 (2013: HK$9,735,000). The fluctuation is attributable to interest income from pledged bank deposits and short-term bank deposits, and interest expense on bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the Company's shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

As at 31 December 2014, the Group was in a net cash position (total borrowings were less than cash and cash equivalents).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 **HK$'000**	2013 HK$'000
Total borrowings (Note 18)	**113,021**	154,710
Loans from non-controlling shareholders of subsidiaries (Note 37(e))	**7,775**	7,775
	120,796	162,485
Total equity	**2,138,553**	2,231,745
Gearing ratio	**5.6%**	7.3%

The decrease in the gearing ratio above resulted primarily from decrease in bank borrowings.

3.3 Fair value estimation

The carrying value less impairment provision of trade and other receivables and trade and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(b) Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortisation charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions, or based on value-in-use calculations or market valuations according to the estimated periods that the Group intends to derive future economic benefits from the use of intangible assets. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortisation expense in future periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The goodwill is allocated to the golf and high-end fashion apparel manufacturing business CGU resulted from the acquisition of Charmtech Industrial Limited and its subsidiary ("**Charmtech Group**"), which was included in the manufacturing segment; and the high-end fashion retailing business CGU resulted from the acquisition of Shine Gold Limited ("**Shine Gold**") and its subsidiaries (together, "**Shine Gold Group**"), which was included in distribution and retail segment.

The recoverable amounts of CGUs have been determined based on value-in-use or fair value less costs to sell calculations. These calculations require significant judgment and estimates (Note 8). No impairment was recognised against these goodwill during the year ended 31 December 2014.

For the goodwill resulted from the acquisition of Charmtech Group, if the budgeted gross margin or the pre-tax discount rate used in the value-in-use calculation has been 1% lower and 1% higher than management's estimates respectively as at 31 December 2014, still no impairment against goodwill would be recognised by the Group.

For the goodwill resulted from the acquisition of Shine Gold Group, if the budgeted gross margin or the pre-tax discount rate used in the fair value less costs to sell calculation has been 0.5% lower or 0.5% higher than management's estimates respectively as at 31 December 2014, still no impairment against goodwill would be recognised by the Group.

(d) Estimated impairment of trademarks and licence rights

The Group tests whether the trademarks and licence rights have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy stated in Note 2.8. The recoverable amount of the trademarks and licence rights has been determined as the higher of its value in use and its fair value less costs to sell, i.e., the amount for which the asset could be sold between knowledgeable and willing parties, net of estimated costs of disposal.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Trade and bills receivable and deposits and other receivables

The Group's management determines the provision for impairment of trade and bills receivable and deposits and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.

(g) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise the temporary differences or tax losses. Management reassesses its expectation at the end of each reporting period.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Committee comprising the executive directors of the Company's Board of Directors. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources and report segment performance based on internal reporting.

The Executive Committee reviews the performance of the Group's continuing operations mainly from a business operation perspective. The Group is organised into two main business segments, namely (i) Manufacturing, and (ii) Distribution and retail. The Manufacturing segment mainly represents manufacturing of sportswear and golf and high-end fashion apparel, primarily under OEM arrangements to customers mainly in Europe, North America and Mainland China. The Distribution and retail segment represents the distribution and retail of sportswear, footwear, accessories, sports equipment and high-end fashion wears and accessories in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

The Executive Committee assesses the performance of the operating segments based on a measure of operating results of each segment, which excludes the effects of non-recurring earnings and expenditures and finance income and finance costs in the result for each operating segment. Other information provided to the Executive Committee is measured in a manner consistent with that in the consolidated financial statements.

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2014 are as follows:

	Manufacturing HK$'000	Distribution and retail HK$'000	Total continuing operations HK$'000
Total segment revenue	2,811,773	769,562	3,581,335
Inter-segment revenue	(6,357)	—	(6,357)
Revenue	**2,805,416**	**769,562**	**3,574,978**
Operating profit/(loss) and segment results	78,683	(39,118)	39,565
Finance income			16,059
Finance costs			(5,313)
Share of losses of associates	(2,246)	—	(2,246)
Profit before income tax			48,065
Income tax expense			(30,678)
Profit for the year			17,387

Other segment items included in the consolidated income statement for the year ended 31 December 2014 are as follows:

	Manufacturing HK$'000	Distribution and retail HK$'000	Total continuing operations HK$'000
Amortisation of land use rights	2,899	—	2,899
Depreciation of property, plant and equipment	113,673	19,433	133,106
Amortisation of intangible assets	53	44,560	44,613
Impairment of property, plant and equipment, net	11,339	—	11,339
(Write-back of)/provision for inventories, net	(4,120)	16,788	12,668
Impairment of trade receivables, net	1,384	—	1,384
Loss on disposal of property, plant and equipment and land use rights, net	2,563	15	2,578
Redundancy costs (Note 22)	32,018	—	32,018

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2013 were as follows:

	Manufacturing HK$'000	Distribution and retail HK$'000	Total continuing operations HK$'000
Total segment revenue	2,689,764	267,187	2,956,951
Inter-segment revenue	(5,672)	—	(5,672)
Revenue	2,684,092	267,187	2,951,279
Operating profit/(loss) and segment results	150,808	(6,209)	144,599
Finance income			16,724
Finance costs			(2,949)
Share of profits of associates	4,198	—	4,198
Profit before income tax			162,572
Income tax expense			(38,179)
Profit for the year			124,393

Other segment items included in the consolidated income statement for the year ended 31 December 2013 were as follows:

	Manufacturing HK$'000	Distribution and retail HK$'000	Total continuing operations HK$'000
Amortisation of land use rights	572	—	572
Depreciation of property, plant and equipment	88,056	6,208	94,264
Amortisation of intangible assets	18	7,427	7,445
Impairment of property, plant and equipment	32,342	11,978	44,320
Write-back of inventories, net	(10,162)	(3,541)	(13,703)
Impairment of trade receivables, net	484	—	484
(Gain)/loss on disposal of property, plant and equipment, net	(121)	72	(49)
Gain on disposal of land use rights classified as held for sale	(12,368)	—	(12,368)
Redundancy costs (Note 22)	23,901	—	23,901

Inter-segment transactions are conducted at terms mutually agreed among group companies.

5 SEGMENT INFORMATION (Continued)

Segment assets consist primarily land use rights, property, plant and equipment, intangible assets, investments in associates, deposits and prepayments, inventories, trade, bills and other receivables, cash and cash equivalents and pledged bank deposits. Unallocated assets mainly comprise cash and cash equivalents held for corporate uses, tax recoverables and deferred income tax assets.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise deferred income tax liabilities and current income tax liabilities.

Capital expenditure comprises additions to land use rights, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

The segment assets and liabilities at 31 December 2014 and capital expenditure for the year ended are as follows:

	Manufacturing HK$'000	Distribution and retail HK$'000	Total continuing operations HK$'000	Unallocated HK$'000	Total HK$'000
Assets	1,978,915	501,869	2,480,784	321,172	2,801,956
Associates	38,371	—	38,371	—	38,371
Total assets	2,017,286	501,869	2,519,155	321,172	2,840,327
Total liabilities	461,266	185,315	646,581	55,193	701,774
Capital expenditure	143,825	18,229	162,054	—	162,054

The segment assets and liabilities at 31 December 2013, capital expenditure and non-current assets acquired from business combinations for the year ended were as follows:

	Manufacturing HK$'000	Distribution and retail HK$'000	Total continuing operations HK$'000	Total discontinued operations HK$'000 (Note 32(b))	Unallocated HK$'000	Total HK$'000
Assets	2,036,460	529,936	2,566,396	7,392	435,484	3,009,272
Associates	40,585	—	40,585	—	—	40,585
Total assets	2,077,045	529,936	2,606,981	7,392	435,484	3,049,857
Total liabilities	547,297	186,729	734,026	7,355	76,731	818,112
Capital expenditure	228,446	14,143	242,589	328	—	242,917
Non-current assets acquired from business combinations	—	159,742	159,742	—	—	159,742

5 SEGMENT INFORMATION (Continued)

The Group's revenue from external customers by geographical location is as follows:

	2014 HK$'000	2013 HK$'000
Revenue		
Europe	**1,241,657**	1,257,272
Hong Kong	**597,279**	308,832
United States of America	**456,465**	308,628
Mainland China	**451,557**	371,504
Other Asian countries	**434,688**	310,531
Canada	**83,537**	67,301
Others	**309,795**	327,211
	3,574,978	2,951,279

The Group's revenue by geographical location is determined by the final destination of delivery of the products.

	2014 HK$'000	2013 HK$'000
Analysis of revenue by category		
Sales of goods	**3,565,531**	2,936,473
Provision of services	**9,447**	14,806
	3,574,978	2,951,279

The total of non-current assets other than deferred income tax assets by geographical location is as follows:

	2014 HK$'000	2013 HK$'000
Mainland China	**485,721**	590,852
Hong Kong	**240,487**	275,913
Other countries	**363,465**	263,503
	1,089,673	1,130,268

For the year ended 31 December 2014, revenues of approximately HK$2,458,183,000 (2013: HK$2,371,533,000), representing 68.8% (2013: 80.4%) of the Group's total revenue, were derived from a single group of external customers. These revenues are attributable to the Manufacturing segment.

6 LAND USE RIGHTS — GROUP

The Group's interests in land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	2014 HK$'000	2013 HK$'000
In Mainland China, held on:		
Land use rights of between 10 and 50 years	**107,267**	114,037

	2014 HK$'000	2013 HK$'000
Beginning of the year	**114,037**	19,226
Currency translation differences	**(158)**	202
Additions	**123**	95,181
Disposal	**(211)**	—
Amortisation	**(2,899)**	(572)
Land use rights classified as non-current assets held for sale (Note 32(a))	**(3,625)**	—
End of the year	**107,267**	114,037

7 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Freehold lands HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2013								
Cost	45,648	160,860	304,289	493,778	127,877	40,309	60,528	1,233,289
Accumulated depreciation and impairment	—	(30,726)	(169,071)	(284,369)	(99,662)	(20,547)	—	(604,375)
Net book amount	45,648	130,134	135,218	209,409	28,215	19,762	60,528	628,914
Year ended 31 December 2013								
Opening net book amount	45,648	130,134	135,218	209,409	28,215	19,762	60,528	628,914
Currency translation differences	(742)	1,610	2,503	3,938	295	146	352	8,102
Acquisition of subsidiaries (Note 36)	—	—	28,791	2,324	1,334	—	—	32,449
Additions	—	1,899	20,042	54,419	12,884	8,788	49,704	147,736
Transfers	—	42,520	1,005	2,211	—	—	(45,736)	—
Disposals	—	—	(30)	(208)	(281)	(41)	—	(560)
Impairment	—	(7,679)	(33,542)	(2,046)	(865)	(188)	—	(44,320)
Depreciation	—	(8,407)	(30,426)	(42,170)	(11,412)	(5,694)	—	(98,109)
Closing net book amount	44,906	160,077	123,561	227,877	30,170	22,773	64,848	674,212
At 31 December 2013								
Cost	44,906	196,167	299,653	540,308	114,407	46,468	64,848	1,306,757
Accumulated depreciation and impairment	—	(36,090)	(176,092)	(312,431)	(84,237)	(23,695)	—	(632,545)
Net book amount	44,906	160,077	123,561	227,877	30,170	22,773	64,848	674,212

7 PROPERTY, PLANT AND EQUIPMENT — GROUP (Continued)

	Freehold lands HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2014								
Opening net book amount	44,906	160,077	123,561	227,877	30,170	22,773	64,848	674,212
Currency translation differences	—	(1,355)	(3,104)	(3,055)	(179)	(212)	(70)	(7,975)
Additions	—	29,668	45,863	55,425	9,974	3,307	17,694	161,931
Transfers	—	—	75,253	—	—	—	(75,253)	—
Disposals	—	—	(2,697)	(6,201)	(452)	(109)	—	(9,459)
Reversal of impairment/ (impairment)	—	4,929	(7,547)	(7,498)	(1,202)	(21)	—	(11,339)
Depreciation	—	(21,573)	(40,764)	(54,257)	(9,351)	(7,161)	—	(133,106)
Closing net book amount	44,906	171,746	190,565	212,291	28,960	18,577	7,219	674,264
At 31 December 2014								
Cost	44,906	229,441	385,672	530,516	109,109	47,548	7,219	1,354,411
Accumulated depreciation and impairment	—	(57,695)	(195,107)	(318,225)	(80,149)	(28,971)	—	(680,147)
Net book amount	44,906	171,746	190,565	212,291	28,960	18,577	7,219	674,264

Freehold lands are located in the Hashemite Kingdom of Jordan and Cambodia.

The net book value of the Group's interests in leasehold land and buildings classified as finance lease are analysed as follows:

	2014 HK$'000	2013 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**40,982**	11,883

Impairment loss of HK$12,781,000 has been included in cost of sales (2013: HK$17,282,000) and reversal of impairment loss of HK$1,442,000 has been included in general and administrative expenses (2013: impairment loss of HK$27,038,000) mainly as a result of provision for property, plant and equipment in respect of closure of factories in Mainland China.

8 INTANGIBLE ASSETS — GROUP

	Trademarks HK$'000	Goodwill HK$'000	Licence rights HK$'000	Customer relationships HK$'000	Total HK$'000
At 1 January 2013					
Cost	221,387	72,808	—	2,219	296,414
Accumulated amortisation and impairment	(194,599)	(39,058)	—	(2,219)	(235,876)
Net book amount	26,788	33,750	—	—	60,538
Year ended 31 December 2013					
Opening net book amount	26,788	33,750	—	—	60,538
Acquisition of subsidiaries (Note 36)	13,966	90,635	87,722	—	192,323
Addition	—	—	800	—	800
Disposal (Note 32(b))	(26,084)	—	—	—	(26,084)
Amortisation	(820)	—	(7,329)	—	(8,149)
Closing net book amount	13,850	124,385	81,193	—	219,428
At 31 December 2013					
Cost	13,966	163,443	88,522	—	265,931
Accumulated amortisation and impairment	(116)	(39,058)	(7,329)	—	(46,503)
Net book amount	13,850	124,385	81,193	—	219,428
Year ended 31 December 2014					
Opening net book amount	**13,850**	**124,385**	**81,193**	**—**	**219,428**
Amortisation	**(699)**	**—**	**(43,914)**	**—**	**(44,613)**
Closing net book amount	**13,151**	**124,385**	**37,279**	**—**	**174,815**
At 31 December 2014					
Cost	**13,966**	**163,443**	**88,522**	**—**	**265,931**
Accumulated amortisation and impairment	**(815)**	**(39,058)**	**(51,243)**	**—**	**(91,116)**
Net book amount	**13,151**	**124,385**	**37,279**	**—**	**174,815**

8 INTANGIBLE ASSETS — GROUP (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment and geographical location and is as follows:

	High-end fashion retailing HK$'000	Golf and high-end fashion apparel manufacturing HK$'000	Total HK$'000
Net book amount			
At 1 January 2013	—	33,750	33,750
Acquisition of subsidiaries (Note 36)	90,635	—	90,635
At 31 December 2013, 1 January 2014 and 31 December 2014	90,635	33,750	124,385

The recoverable amounts of the CGUs are determined based on value-in-use or fair value less costs to sell calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period for the golf and high-end fashion apparel manufacturing business and high-end fashion retailing business. Cash flows beyond the period covered in approved budgets are extrapolated using the key assumptions stated below. The growth rates do not exceed the long-term average growth rates for the businesses in which the CGUs operate.

	2014		2013	
	High-end fashion retailing	**Golf and high-end fashion apparel manufacturing**	High-end fashion retailing	Golf and high-end fashion apparel manufacturing
Budgeted gross margin	**52-56%**	**23%**	51-55%	26%
Growth rate used to extrapolate cashflows beyond the budget period	**3%**	**2%**	3%	2%
Pre-tax discount rate	**16%**	**11%**	19%	11%

Management determined budgeted gross margin based on past performance and its expectations of market development. No impairment was recognised in respect of the golf and high-end fashion apparel manufacturing business and high-end fashion retailing business CGUs during the year ended 31 December 2014.

9 INVESTMENTS IN SUBSIDIARIES — COMPANY

(i) Investments in subsidiaries

	2014 HK$'000	2013 HK$'000
Investment in unlisted shares, at cost	**538,341**	538,341
Provision for impairment	**(68,533)**	(62,857)
	469,808	475,484
Amounts due from subsidiaries *(Note (a))*	**1,110,063**	911,872
	1,579,871	1,387,356

The following are details of principal subsidiaries, all of which are unlisted, as at 31 December 2014:

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2014	2013	Principal activities and place of operation
Bowker Asia Limited	British Virgin Islands ("**BVI**"), limited liability company	US$100	**100%**	100%	Trading of garment products/Hong Kong
Bowker Garment Accessories (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	US$4,200,000	**100%**	100%	Manufacturing of garment products/ Mainland China
Bowker Garment Accessories Company Limited	Hong Kong, limited liability company	HK$10,000	**100%**	100%	Investment holding and trading of garment products/Hong Kong
Bowker Garment Factory Company Limited	Hong Kong, limited liability company	HK$10,000 ordinary HK$200,000 non-voting deferred *(Note (b))*	**100%**	100%	Trading of garment products/Hong Kong
Bowker Garment Factory (Cambodia) Company Limited	Cambodia, limited liability company	KHR 4,000,000	**100%**	100%	Manufacturing of garment products/ Cambodia
Bowker Garment Investment (Cambodia) Company Limited	Cambodia, limited liability company	KHR 4,000,000	**100%**	100%	Property holding/ Cambodia
Bowker Printing Factory (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	HK$55,508,460	**100%**	100%	Manufacturing of printing and embroidery products/ Mainland China
Bowker Venture Garment (Yunfu) Company Limited	Mainland China, wholly foreign owned enterprise	HK$80,000,000	**100%**	100%	Manufacturing of garment products/ Mainland China
Bowker (Vietnam) Garment Factory Company Limited	Vietnam, limited liability company	US$10,500,000	**100%**	100%	Manufacturing of garment products/ Vietnam
Bowker Vietnam Holding Limited	Hong Kong, limited liability company	HK$1,000,000	**100%**	100%	Investment holding and trading of garment products/Hong Kong

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

(i) Investments in subsidiaries (Continued)

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2014	2013	Principal activities and place of operation
Bowker Yao Wao (Huizhou) Garment Company Limited	Mainland China, wholly foreign owned enterprise	HK$16,000,000	**100%**	100%	Manufacturing of garment products/ Mainland China
Bowker Yee Sing Garment Factory (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	HK$120,000,000	**71%**	71%	Manufacturing of garment products/ Mainland China
Charmtech Industrial Limited	Hong Kong, limited liability company	HK$50,000	**75%**	75%	Investment holding and trading of garment products/Hong Kong
Corus Investments Limited	Hong Kong, limited liability company	HK$10,000	**#100%**	#100%	Property holding/ Hong Kong
D-mop Limited	Hong Kong, limited liability company	HK$1,000,000	**70%**	70%	Retailing of fashion products/Hong Kong
Guangzhou Yuming Garment Limited	Mainland China, wholly foreign owned enterprise	HK$6,000,000 (2013: HK$5,000,000)	****75%**	70%	Manufacturing of garment products/ Mainland China
Guangzhou Win Sports Ltd.	Mainland China, wholly foreign owned enterprise	HK$20,000,000	***94.2%**	75%	Trading and retailing of garment products/ Mainland China
Kaiping Win Hanverky Textile Company Limited	Mainland China, wholly foreign owned enterprise	US$5,522,813	**100%**	100%	Manufacturing of garment products/ Mainland China
Kepac Trading (Hangzhou) Limited	Mainland China, wholly foreign owned enterprise	HK$5,000,000	**70%**	70%	Retailing of fashion products/ Mainland China
Portico Group Limited	Hong Kong, limited liability company	US$2,481,135	**100%**	100%	Trading of garment products/Hong Kong
Portico II Limited	Canada, limited liability company	CA$100	**100%**	100%	Provision of agency service/Canada
Qing Yuan BowCharm Garment Manufacturing Limited	Mainland China, wholly foreign owned enterprise	HK$29,612,242	**75%**	75%	Manufacturing of garment products/ Mainland China
Rich Form (HK) Limited	Hong Kong, limited liability company	HK$12,000 (2013: HK$10,000)	****75%**	70%	Trading of garment products/Hong Kong
Shanghai Yinpac Trading Limited	Mainland China, wholly foreign owned enterprise	US$800,000	**70%**	70%	Retailing of fashion products/ Mainland China
Shine Gold Limited	BVI, limited liability company	US$340	**70%**	70%	Investment holding/BVI

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

(i) Investments in subsidiaries (Continued)

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2014	2013	Principal activities and place of operation
Sport City Garment Factory Company Limited	Mainland China, foreign equity joint venture	US$550,000	**72.7%**	72.7%	Manufacturing of garment products/ Mainland China
Sports Corner Limited	Hong Kong, limited liability company	HK$500,000	***94.2%**	75%	Retailing of garment products/Hong Kong
Team & Sports (Shenzhen) Ltd.	Mainland China, wholly foreign owned enterprise	RMB5,000,000	**100%**	100%	Trading of garment products/ Mainland China
Win Form Apparel Limited	Hong Kong, limited liability company	HK$10,000	**100%**	100%	Trading of garment products/Hong Kong
Win Hanverky (China) Company Limited	Hong Kong, limited liability company	HK$10,000	**100%**	100%	Trading of garment products/Hong Kong
Win Hanverky Limited	Hong Kong, limited liability company	HK$10,000 ordinary HK$1,000,000 non-voting deferred *(Note (b))*	**100%**	100%	Trading of garment products/Hong Kong
Win Hanverky Textile Limited	Hong Kong, limited liability company	HK$2,000,000	**100%**	100%	Manufacturing and trading of fabrics/ Hong Kong and Mainland China
Win Sports Limited	Hong Kong, limited liability company	HK$345,018,082 (2013: HK$80,000,000)	***94.2%**	75%	Trading and retailing of garment products/ Hong Kong
Win Sports Trading (Shanghai) Co., Ltd.	Mainland China, wholly foreign owned enterprise	HK$5,000,000	***94.2%**	75%	Trading and retailing of garment products/ Mainland China
Winning Best Limited	Hong Kong, limited liability company	HK$1	**100%**	—	Property holding/ Hong Kong
Winning Castle Limited	Hong Kong, limited liability company	HK$1	**100%**	—	Property holding/ Hong Kong
Winor Apparel (Shenzhen) Limited	Mainland China, wholly foreign owned enterprise	RMB110,000,000	**100%**	100%	Trading and retailing of garment products/ Mainland China
Winor International Company Limited	Hong Kong, limited liability company	HK$260,000,003	**100%**	100%	Investment holding/ Hong Kong
Wuzhou Bowker Garment Company Limited	Mainland China, wholly foreign owned enterprise	HK$86,292,165	**100%**	100%	Manufacturing of garment products/ Mainland China

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

(i) Investments in subsidiaries (Continued)

The shares of this company are held by the Company; others are held indirectly by the Company.

* The equity interests held in these companies have changed from 75% to 94.2% during the year ended 31 December 2014 as Win Sports Limited ("**Win Sports**") capitalised the shareholder's loan from Frankton International Limited, a wholly owned subsidiary of the Company, of HK$265,018,082 by issuing 265,018,082 new shares to Frankton International Limited. Details are included in Note 35(a) to the consolidated financial statements.

** The equity interests held in these companies have been changed from 70% to 75% during the year ended 31 December 2014 as Rich Form (HK) Limited issued 2,000 new shares to Portico Group Limited, a wholly owned subsidiary of the Company, settled by the amount due to Portico Group Limited of HK$2,000. Details are included in Note 35(a) to the consolidated financial statements.

Notes:

(a) Amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

(b) The non-voting deferred shares are not owned by the Group. These shares have no voting rights, are not entitled to dividends unless the net profit of the relevant company exceeds HK$100,000,000,000 and are not entitled to any distributions upon winding up unless a sum of HK$100,000,000,000 has been distributed by the relevant company to the holders of its ordinary shares.

(c) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2014 (2013: None).

The English names of certain subsidiaries represent the best effort by the management of the Group to translate their Chinese names as they do not have official English names.

(ii) Significant restrictions

Cash and short-term deposits of HK$186,065,000 (2013: HK$173,013,000) held in China and Vietnam are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from these countries, other than through normal dividends.

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

(iii) Material non-controlling interests

As at 31 December 2014, the total non-controlling interest amounted to an accumulated loss of HK$3,377,000 (2013: HK$16,149,000), of which accumulated loss of HK$16,052,000 (2013: HK$8,567,000) is attributed to Shine Gold Group. The directors are of the opinion that the non-controlling interests in respect of other non-wholly owned subsidiaries are not material.

Set out below are the summarised financial information for Shine Gold Group that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	2014 **HK$'000**	2013 HK$'000
Current		
Assets	**192,942**	188,203
Liabilities	**(186,942)**	(203,622)
Total current net assets/(liabilities)	**6,000**	(15,419)
Non-current		
Assets	**88,583**	144,650
Liabilities	**(148,092)**	(157,791)
Total non-current net liabilities	**(59,509)**	(13,141)
Net liabilities	**(53,509)**	(28,560)

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

(iii) Material non-controlling interests (Continued)

Summarised statement of comprehensive income

	2014 HK$'000	2-month period from 1 November 2013 to 31 December 2013 HK$'000
Revenue	**536,880**	99,362
Loss before income tax	**(28,997)**	(1,708)
Income tax credit	**6,273**	1,234
Post-tax loss from continuing operations	**(22,724)**	(474)
Other comprehensive income	**(2,225)**	1,394
Total comprehensive income	**(24,949)**	920
Total comprehensive income allocated to non-controlling interests	**(7,485)**	276

Summarised cash flow statement

	2014 HK$'000	2-month period from 1 November 2013 to 31 December 2013 HK$'000
Cash flows from operating activities		
Cash generated from operations	**24,135**	31,033
Interest paid	**(1,909)**	(296)
Income tax paid	**(1,261)**	—
Net cash generated from operating activities	**20,965**	30,737
Net cash used in investing activities	**(14,383)**	(8,730)
Net cash used in financing activities	**(16,350)**	(4,154)
Net (decrease)/increase in cash and cash equivalents	**(9,768)**	17,853
Cash and cash equivalents at beginning of year/period	**44,608**	26,726
Exchange (losses)/gains on cash and cash equivalents	**(193)**	29
Cash and cash equivalents at end of year/period	**34,647**	44,608

The information above is the amount before inter-company eliminations.

10 INVESTMENTS IN ASSOCIATES — GROUP

	2014 HK$'000	2013 HK$'000
Beginning of the year	**40,585**	38,032
Share of reserve movements for the year	**32**	695
Dividend paid	**—**	(2,340)
Share of (losses)/profits for the year	**(2,246)**	4,198
End of the year	**38,371**	40,585

Set out below are the major associates of the Group as at 31 December 2014. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company; the country of incorporation or registration is also their principal place of business.

Nature of investments in associates as at 31 December 2014 and 2013:

Name	Place of incorporation and type of legal entity	Percentage of ownership interest	Nature of the relationship	Measurement method
Fu Hsun Bowker Dyeing Factory (Heyuan) Company Limited ("**Fu Hsun Bowker**")	Mainland China, wholly foreign owned enterprise	30%	Note (a)	Equity
Fu Hsun Investment Company Limited ("**Fu Hsun Investment**")	BVI, limited liability company	30%	Note (b)	Equity
Fu Jin Bowker Company Limited ("**Fu Jin Bowker**")	BVI, limited liability company	30%	Note (c)	Equity

Notes:

(a) Fu Hsun Bowker is engaged in fabrics dyeing services and primarily sells to the Group in Mainland China.

(b) Fu Hsun Investment is the investment holding company of Fu Hsun Bowker.

(c) Fu Jin Bowker is engaged in the manufacturing of dyed fabrics for the Group in Taiwan. It primarily sells dyed fabric to the Group in Mainland China.

Fu Hsun Bowker, Fu Hsun Investment and Fu Jin Bowker are private companies and there is no quoted market price for their shares.

There are no contingent liabilities relating to the Group's interests in the associates.

The directors are of the opinion that the associates are not material to the Group. Accordingly, summarised financial information is not presented.

11 FINANCIAL INSTRUMENTS

Group

	Loans and receivables	
	2014	2013
	HK$'000	HK$'000
Assets		
Trade and bills receivable	**367,392**	359,015
Deposits and other receivables	**151,614**	91,063
Pledged bank deposits	**9,256**	9,281
Cash and cash equivalents	**711,175**	871,998

	Other financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Liabilities		
Trade and bills payable	**285,552**	335,208
Accruals and other payables	**214,443**	241,571
Borrowings	**113,021**	154,710

Company

	Loans and receivables	
	2014	2013
	HK$'000	HK$'000
Assets		
Deposits and other receivables	**1,263**	976
Cash and cash equivalents	**309,890**	418,068

	Other financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Liabilities		
Accruals and other payables	**7,580**	7,548
Amounts due to subsidiaries	**147,532**	149,707

12 INVENTORIES — GROUP

	2014 HK$'000	2013 HK$'000
Raw materials	**190,639**	238,386
Work in progress	**113,227**	117,114
Finished goods	**252,767**	231,532
	556,633	587,032

The costs of inventories recognised as expense and included in cost of sales amounted to approximately HK$1,791,410,000 (2013: HK$1,449,184,000).

Impairment of inventories amounting to approximately HK$12,668,000 (2013: write-back of HK$13,703,000) was included in cost of sales.

13 TRADE AND BILLS RECEIVABLE — GROUP

	2014 HK$'000	2013 HK$'000
Trade receivables		
— from third parties	**354,646**	343,624
— from related parties (Note 37(d))	**2,187**	1,703
Bills receivable	**12,427**	14,172
	369,260	359,499
Less: provision for impairment	**(1,868)**	(484)
	367,392	359,015

The carrying amounts of trade and bills receivable approximate their fair values.

Majority of trade receivables are with customers having an appropriate credit history. The Group grants its customers credit terms ranging from 30 to 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks. The ageing of trade and bills receivable based on invoice date is as follows:

	2014 HK$'000	2013 HK$'000
0–30 days	**266,804**	294,904
31–60 days	**84,554**	50,234
61–90 days	**9,686**	12,707
91–120 days	**5,479**	388
121–180 days	**293**	199
181–365 days	**1,729**	422
Over 365 days	**715**	645
	369,260	359,499

13 TRADE AND BILLS RECEIVABLE — GROUP (Continued)

Trade receivables that are less than 90 days past due are generally not considered impaired. As at 31 December 2014, trade receivables of HK$1,991,000 (2013: HK$789,000) were more than 90 days past due but considered not to be impaired. These relate to a number of customers for whom there is no recent history of default. The past due ageing of these trade receivables is as follows:

	2014	2013
	HK$'000	HK$'000
91–120 days	**1,138**	202
121–180 days	**312**	401
181–365 days	**322**	24
Over 365 days	**219**	162
	1,991	789

As at 31 December 2014, trade receivables of HK$1,868,000 (2013: HK$484,000) were impaired and had been fully provided for. These receivables relate to a number of customers, including customers in unexpected difficult economic situations. The past due ageing of these receivables is as follows:

	2014	2013
	HK$'000	HK$'000
181–365 days	**1,384**	—
Over 365 days	**484**	484
	1,868	484

13 TRADE AND BILLS RECEIVABLE — GROUP (Continued)

Movements of provision for impairment of trade and bills receivable are as follows:

	2014 HK$'000	2013 HK$'000
Beginning of the year	**484**	5,826
Currency translation differences	**—**	103
Impairment of trade receivables	**1,384**	5,352
Receivables written off during the year as uncollectible	**—**	(2,812)
Transferred to discontinued operations	**—**	(7,985)
End of the year	**1,868**	484

The creation and release of provision for impaired receivables have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The Group's trade and bills receivable were denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
United States Dollars	**269,773**	260,022
Chinese Renminbi	**79,734**	82,887
Hong Kong Dollars	**14,662**	11,980
Others	**5,091**	4,610
	369,260	359,499

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The Group does not hold any collateral.

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Rental, utility and other deposits	**33,780**	15,746	**—**	—
Prepayments for operating expenses	**4,841**	17,100	**220**	3
Prepayments for inventories	**7,248**	9,522	**—**	—
Value-added tax recoverable	**7,458**	7,408	**—**	—
Claims receivable from customers	**5,655**	3,451	**—**	—
Other receivables	**17,613**	20,948	**1,263**	976
Receivables from a lessor *(Note a)*	**13,845**	—	**—**	—
Interest receivable from a lessor	**851**	—	**—**	—
	91,291	74,175	**1,483**	979
Non-current				
Deposits for property, plant and equipment *(Note b)*	**15,086**	4,492	**—**	—
Rental, utility and other deposits	**35,020**	40,388	**—**	—
Prepayments for operating lease rentals	**—**	26,596	**—**	—
Other receivables	**—**	10,530	**—**	—
Receivables from a lessor *(Note a)*	**44,850**	—	**—**	—
	94,956	82,006	**—**	—
	186,247	156,181	**1,483**	979

The carrying amounts of deposits approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of the items mentioned above. The Group does not hold any collateral.

Notes:

(a) Amounts represented receivables from a lessor in Vietnam. Receivables from the lessor are unsecured, interest-bearing at 5% per annum and denominated in United States Dollars. Receivables of US$2,700,000 (equivalent to approximately HK$21,060,000), US$3,325,000 (equivalent to approximately HK$25,935,000) and US$1,500,000 (equivalent to approximately HK$11,700,000) are repayable semi-annually and mature in December 2018, June 2019 and June 2020, respectively. The Group recognised interest income of HK$1,894,000 during the year ended 31 December 2014 from these receivables. The carrying amounts of these receivables approximate their fair values.

(b) During the year ended 31 December 2014, the Group entered into a sale and purchase agreement in respect of the acquisition of office premises at a total consideration of HK$52,313,000. A deposit of HK$5,231,000 was paid and included in deposits, prepayments and other receivables as at 31 December 2014. The transaction was subsequently completed on 15 January 2015.

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group's deposits and other receivables were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars	**78,837**	19,387	**—**	—
Chinese Renminbi	**12,109**	36,407	**—**	—
Hong Kong Dollars	**57,519**	35,265	**1,263**	976
Others	**3,149**	4	**—**	—
	151,614	91,063	**1,263**	976

15 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**9,256**	9,281	**—**	—
Cash at bank and on hand	**44,071**	62,461	**175**	718
Short-term bank deposits	**667,104**	809,537	**309,715**	417,350
Cash and cash equivalents	**711,175**	871,998	**309,890**	418,068
	720,431	881,279	**309,890**	418,068

As at 31 December 2014, bank deposits of HK$9,256,000 (2013: HK$9,281,000) were placed at certain banks as collaterals against certain trade finance facilities and short-term bank borrowings granted by the banks and were with initial terms of over three months. The short-term bank deposits have maturities of 3 months or less at inception.

Pledged bank deposits and cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Chinese Renminbi	**479,257**	462,928	**239,298**	238,531
United States Dollars	**188,521**	336,330	**70,568**	179,336
Hong Kong Dollars	**48,727**	68,078	**24**	201
Euro	**54**	8,137	**—**	—
Others	**3,872**	5,806	**—**	—
	720,431	881,279	**309,890**	418,068

The Group's pledged bank deposits and cash and cash equivalents denominated in Chinese Renminbi were deposited with banks in Mainland China and Hong Kong. The conversion of Chinese Renminbi into foreign currencies and the remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China Government.

The maximum exposure to credit risk at the reporting date approximates the carrying values of the pledged bank deposits and the cash and cash equivalents.

16 TRADE AND BILLS PAYABLE — GROUP

	2014 HK$'000	2013 HK$'000
Trade payables		
— to third parties	**225,649**	238,068
— to related parties (Note 37(d))	**53,363**	90,544
Bills payable	**6,540**	6,596
	285,552	335,208

The ageing of the trade and bills payable based on invoice date is as follows:

	2014 HK$'000	2013 HK$'000
0–30 days	**121,733**	130,694
31–60 days	**99,345**	99,820
61–90 days	**42,541**	69,854
91–120 days	**15,821**	30,298
121–180 days	**5,032**	1,332
181–365 days	**797**	2,859
Over 365 days	**283**	351
	285,552	335,208

The Group's trade and bills payable were denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
United States Dollars	**219,515**	238,491
Hong Kong Dollars	**58,066**	82,627
Chinese Renminbi	**7,960**	12,703
Others	**11**	1,387
	285,552	335,208

17 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accrual for employee benefit costs	**114,519**	123,693	**7,218**	7,169
Accrual for other operating expenses	**43,965**	56,395	**356**	374
Deposit received for the land use rights held for sale (Note 32(a))	**31,175**	—	**—**	—
Payable for purchases of property, plant and equipment and land use rights	**20,445**	29,738	**—**	—
Value added tax payable	**10,586**	8,061	**—**	—
Loans from non-controlling shareholders of subsidiaries (Note 37(e))	**7,775**	7,775	**—**	—
Deposits received from customers	**2,390**	2,537	**—**	—
Other payables	**17,153**	15,909	**6**	5
	248,008	244,108	**7,580**	7,548

18 BORROWINGS — GROUP

	2014	2013
	HK$'000	HK$'000
Current		
Trust receipts import bank loans	**70,321**	68,486
Short-term bank borrowings		
— secured	**42,700**	85,600
— unsecured	**—**	624
	113,021	154,710

All of the Group's borrowings were repayable within one year. The carrying amounts of the short-term borrowings approximate their fair values as the impact of discounting is not significant.

As at 31 December 2014, trust receipts import bank loans of HK$70,321,000 (2013: HK$68,486,000) were secured by a corporate guarantee given by the Company. As at 31 December 2014, short-term bank borrowings of HK$42,700,000 (2013: HK$42,700,000) were secured by a corporate guarantee given by the Company and certain bank deposits from a non-controlling shareholder of a subsidiary. As at 31 December 2013, short-term bank borrowings of HK$42,900,000 were secured by a corporate guarantee given by the Company.

18 BORROWINGS — GROUP (Continued)

The carrying amounts of the Group's borrowings were denominated in the following currencies:

	2014 **HK$'000**	2013 HK$'000
Hong Kong Dollars	**71,586**	142,648
United States Dollars	**41,435**	11,438
Others	**—**	624
	113,021	154,710

As at 31 December 2014, the Group's borrowings of HK$113,021,000 (2013: HK$154,710,000) were on floating rates. The weighted average interest rates (per annum) at the end of the reporting period were as follows:

	2014	2013
Trust receipts import bank loan	**1.9%**	1.9%
Short-term bank borrowings	**1.7%**	1.7%

As at 31 December 2014, the Group has the following undrawn banking facilities:

	2014 **HK$'000**	2013 HK$'000
Floating rates		
— expiring within one year	**205,801**	250,620

The facilities expiring within one year are annual facilities subject to review at various dates during 2015.

19 DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax jurisdiction. The net amounts are as follows:

	2014 HK$'000	2013 HK$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	**7,342**	8,158
— Deferred tax assets to be recovered within 12 months	**2,665**	2,002
	10,007	10,160
Deferred tax liabilities:		
— Deferred tax liabilities to be settled after more than 12 months	**(19,996)**	(22,922)
— Deferred tax liabilities to be settled within 12 months	**(5,629)**	(12,300)
	(25,625)	(35,222)
Deferred tax liabilities — net	**(15,618)**	(25,062)

The net movement on the deferred income tax account is as follows:

	2014 HK$'000	2013 HK$'000
Beginning of the year	**(25,062)**	(112)
Acquisition of subsidiaries (Note 36)	**—**	(19,636)
Recognised in the income statement (Note 27)	**9,444**	(5,314)
End of the year	**(15,618)**	(25,062)

19 DEFERRED INCOME TAX — GROUP (Continued)

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Tax depreciation HK$'000	Fair value gains HK$'000	Unrealised loss HK$'000	Withholding tax on undistributed earnings HK$'000	Total HK$'000
At 1 January 2013	(2,233)	—	(5,755)	(3,377)	(11,365)
Recognised in the income statement	(238)	1,434	(5,844)	(468)	(5,116)
Acquisition of Shine Gold (Note 36)	—	(19,636)	—	—	(19,636)
At 31 December 2013	(2,471)	(18,202)	(11,599)	(3,845)	(36,117)
Recognised in the income statement	11	8,604	(1,788)	1,810	8,637
At 31 December 2014	**(2,460)**	**(9,598)**	**(13,387)**	**(2,035)**	**(27,480)**

Deferred tax assets:

	Tax losses HK$'000	Unrealised profit HK$'000	Provision for inventories HK$'000	Total HK$'000
At 1 January 2013	1,315	1,688	8,250	11,253
Recognised in the income statement	(314)	373	(257)	(198)
At 31 December 2013	1,001	2,061	7,993	11,055
Recognised in the income statement	(114)	1,661	(740)	807
At 31 December 2014	**887**	**3,722**	**7,253**	**11,862**

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2014, the Group did not recognise deferred income tax assets of HK$216,732,000 (2013: HK$202,992,000) in respect of losses amounting to HK$1,031,124,000 (2013: HK$986,480,000) that can be carried forward against future taxable income. Total unrecognised tax losses of HK$560,312,000 (2013: HK$506,601,000) can be carried forward indefinitely; while cumulative tax losses of HK$72,207,000 (2013: HK$74,139,000), HK$61,532,000 (2013: HK$63,603,000), HK$108,349,000 (2013: HK$115,761,000), HK$135,989,000 (2013: HK$139,425,000) and HK$92,735,000 (2013: Nil) will expire in 2015, 2016, 2017, 2018 and 2019 respectively.

Deferred income tax liabilities of HK$1,866,000 (2013: HK$2,413,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries, as it is management's intention to reinvest such amounts in the foreseeable future. The said unremitted earnings totalled HK$37,328,000 as at 31 December 2014 (2013: HK$48,260,000).

20 SHARE CAPITAL

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Authorised		
3,000,000,000 ordinary shares of HK$0.1 each	**300,000**	300,000

	Number of ordinary shares	
	'000	HK$'000
Issued and fully paid up		
At 31 December 2013 and 2014	1,268,400	126,840

Share options

The Company operates two share option schemes as described below:

(i) *Pre-IPO share option scheme*

Pre-IPO share options were granted by the Company to certain directors and a consultant for their services to the Group. In 2006, the Company granted 44,400,000 options under the Pre-IPO share option scheme to subscribe for shares in the Company at prices ranging from HK$1.14 to HK$2.28 per share. These options vested according to a pre-determined schedule over three years from 2006 to 2008 and will expire on 10 May 2016. The Group has no legal or constructive obligation to repurchase or settle these options in cash. No additional options can be granted under the Pre-IPO share option scheme.

(ii) *Share option scheme*

The Company has adopted a share option scheme, which will remain in force for 10 years up to August 2016. Share options may be granted to any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group. The exercise price is determined by the Board and shall not be less than the higher of (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the date of offer, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. The Group has no legal or constructive obligation to repurchase or settle these options in cash.

20 SHARE CAPITAL (Continued)

Share options (Continued)

(iii) *Share option schemes*

Movements in the number of outstanding options and their related weighted average exercise prices were as follows:

	2014		2013	
	Number of options '000	Weighted average exercise price per option HK$	Number of options '000	Weighted average exercise price per option HK$
At beginning of year	**21,000**	**1.466**	21,000	1.466
Granted *(Note)*	**32,000**	**0.976**	—	—
Cancelled	**(2,000)**	**2.280**	—	—
At end of year	**51,000**	**1.127**	21,000	1.466

Out of the 51,000,000 (including 12,000,000 share options subject to the independent shareholders' approval) (2013: 21,000,000) outstanding options, 19,000,000 (2013: 21,000,000) share options are exercisable as at 31 December 2014.

Note: Out of the share options granted, 12,000,000 share options were subject to the approval of the independent shareholders of the Company. Such grant was approved by the independent shareholders of the Company on 5 February 2015.

The above outstanding share options have the following expiry dates and exercise prices:

Expiry date	Exercise price per share HK$	Share options 2014 '000	Share options 2013 '000
9 May 2016	1.140	**9,000**	9,000
9 May 2016	1.596	**10,000**	10,000
9 May 2016	2.280	**—**	2,000
8 January 2024	1.010	**15,000**	—
15 July 2024	0.946	**17,000**	—
		51,000	21,000

The weighted average values of options granted during the year determined using the binomial valuation model were HK$0.2527 to HK$0.2873 per option. The significant inputs into the model included weighted average share price at the grant date of HK$0.93 to HK$1.01, exercise price shown above, volatility of 47.6% to 48.1%, dividend yield of 7.9% to 9.8% and annual risk-free interest rates of 2.0% to 2.4%. During the year ended 31 December 2014, share option expenses charged to the consolidated income statement was approximately HK$2,922,000 (2013: Nil).

21 RESERVES

(a) Group

	Share premium HK$'000	Share-based payment reserve HK$'000	Statutory reserves *(Note)* HK$'000	Foreign currency translation reserves HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2013	666,939	9,282	10,394	115,870	184,867	1,042,209	2,029,561
Currency translation differences							
— Group	—	—	—	15,003	—	—	15,003
— Associates	—	—	—	695	—	—	695
Changes in ownership interests in subsidiaries without change of control (Note 35(b))	—	—	—	—	13,378	—	13,378
Dividends paid							
— 2012 final	—	—	—	—	—	(50,736)	(50,736)
— 2013 interim	—	—	—	—	—	(38,052)	(38,052)
Profit attributable to equity holders of the Company	—	—	—	—	—	151,205	151,205
Transfer to statutory reserves	—	—	1,115	—	—	(1,115)	—
At 31 December 2013	666,939	9,282	11,509	131,568	198,245	1,103,511	2,121,054
Currency translation differences							
— Group	—	—	—	(16,151)	—	—	(16,151)
— Associates	—	—	—	32	—	—	32
Employee share option scheme							
— grant of share options	—	2,922	—	—	—	—	2,922
— cancellation of share options	—	(509)	—	—	—	509	—
Changes in ownership interests in subsidiaries without change of control (Note 35(a))	—	—	—	—	(30,527)	—	(30,527)
Realisation of accumulated exchange gain upon liquidation of a subsidiary	—	—	—	(5,222)	—	—	(5,222)
Dividends paid							
— 2013 final	—	—	—	—	—	(50,736)	(50,736)
— 2014 interim	—	—	—	—	—	(38,052)	(38,052)
Profit attributable to equity holders of the Company	—	—	—	—	—	31,770	31,770
Transfer to statutory reserves	—	—	113	—	—	(113)	—
At 31 December 2014	666,939	11,695	11,622	110,227	167,718	1,046,889	2,015,090
Representing:							
Proposed 2014 final dividend						50,736	
Others						996,153	
						1,046,889	

Note: As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior years' losses) to the general reserve and the enterprise expansion fund, at rates determined by their respective boards of directors. The general reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. During the year ended 31 December 2014, HK$113,000 (2013: HK$1,115,000) was appropriated to the general reserve and the enterprise expansion fund.

21 RESERVES (Continued)

(b) Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2013	666,939	9,282	528,331	101,926	1,306,478
Profit attributable to equity holders of the Company	—	—	—	301,475	301,475
Dividends paid					
— 2012 final	—	—	—	(50,736)	(50,736)
— 2013 interim	—	—	—	(38,052)	(38,052)
At 31 December 2013	666,939	9,282	528,331	314,613	1,519,165
Profit attributable to equity holders of the Company	—	—	—	175,043	175,043
Employee share option scheme					
— grant of share option	—	2,922	—	—	2,922
— cancellation of share option	—	(509)	—	509	—
Dividends paid					
— 2013 final	—	—	—	(50,736)	(50,736)
— 2014 interim	—	—	—	(38,052)	(38,052)
At 31 December 2014	666,939	11,695	528,331	401,377	1,608,342
Representing:					
Proposed 2014 final dividend				50,736	
Others				350,641	
				401,377	

22 OTHER EXPENSES AND OTHER INCOME

	2014 HK$'000	2013 HK$'000
Other expenses		
Redundancy costs *(Note)*	**32,018**	23,901
Other income		
Rental income	**4,390**	1,315
Others	**5,953**	3,099
	10,343	4,414

Note: During the year ended 31 December 2014, the Group closed down a factory located in Mainland China and recognised total redundancy costs of approximately HK$32,018,000 (2013: approximately HK$23,901,000).

23 OTHER (LOSSES)/GAINS — NET

	2014 HK$'000	2013 HK$'000
Gain on disposal of land use rights classified as held for sale	—	12,368
Net exchange (losses)/gains	(15,285)	3,082
(Loss)/gain on disposal of property, plant and equipment and land use rights, net	(2,578)	49
Realisation of accumulated exchange gain upon liquidation of a subsidiary	5,222	—
	(12,641)	15,499

24 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution costs and general and administrative expenses are analysed as follows:

	2014 HK$'000	2013 HK$'000
Raw materials and consumables used	1,330,691	1,257,091
Purchases of finished goods	494,855	319,415
Processing and subcontracting charges	55,530	72,954
Manufacturing overheads	35,487	36,965
Sample expenses	16,556	18,561
Changes in inventories of finished goods and work in progress	(34,136)	(127,322)
Depreciation of property, plant and equipment	133,106	94,264
Impairment of property, plant and equipment, net	11,339	44,320
Amortisation of land use rights	2,899	572
Amortisation of intangible assets	44,613	7,445
Employment benefit expense	900,180	785,734
Freight, delivery and insurance expenses	57,723	55,305
Marketing, advertising and promotion expenses	6,265	3,714
Operating lease rental in respect of retails shops, office equipment and land and buildings		
— minimum lease payments	202,264	73,389
— contingent rent	35,922	5,796
Auditors' remuneration		
— audit services	5,204	4,321
— non-audit services	637	571
Impairment of trade receivable, net	1,384	484
Provision for/(write-back) of inventories, net	12,668	(13,703)
Other expenses	187,910	162,816
Total cost of sales, selling and distribution costs and general and administrative expenses	3,501,097	2,802,692

25 EMPLOYMENT BENEFIT EXPENSE

	2014 HK$'000	2013 HK$'000
Wages, salaries, commission, allowances, bonus and other termination payments	**826,399**	735,141
Share options granted to directors and employees	**2,922**	—
Retirement benefit — defined contribution schemes	**47,965**	30,368
Welfare and other benefits	**22,894**	20,225
	900,180	785,734

(a) Retirement benefit costs — defined contribution plans

The Group has arranged for its Hong Kong employees to join certain Mandatory Provident Fund Schemes (the "**MPF Schemes**"), defined contribution schemes managed by independent trustees. Under the MPF Schemes, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The Group has no further obligations for post-retirement benefits beyond the contributions.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement schemes for certain of its employees in Mainland China. The Group's employees make monthly contributions to the schemes at approximately 3% to 11% of the relevant income (comprising wages, salaries, allowances and bonus), while the Group contributes 10% to 30% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

The Group participates in a retirement scheme for qualified employees of its subsidiaries in Vietnam. The Group's employees make monthly contributions to the scheme at 10.5% of the relevant income (comprising wages, salaries, allowances and bonus), while the Group contributes 22% of such income. The Group has no further obligations for post-retirement benefits beyond the contributions.

The Group also participates in a retirement scheme for qualified employees of its subsidiaries in Cambodia. The Group makes monthly contributions to the scheme at 0.8% of the monthly wages of the employees. The Group has no further obligations for post-retirement benefits beyond the contributions.

The Group has no material obligation for post-retirement benefits beyond contributions to the above schemes.

25 EMPLOYMENT BENEFIT EXPENSE (Continued)

(b) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2014 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowances HK$'000	Employer's contribution to retirement schemes HK$'000	Share-based compensation in respect of share options HK$'000	Total HK$'000
Executive directors							
Li Kwok Tung, Roy	–	4,299	1,200	–	17	–	5,516
Lai Ching Ping *(Note (i))*	–	3,637	1,200	–	17	–	4,854
Lee Kwok Leung *(Note (i))*	–	2,349	1,200	–	17	704	4,270
Chow Chi Wai *(Note (ii))*	–	2,038	1,200	–	17	1,283	4,538
Cheung Chi *(Note (iii))*	–	1,579	–	–	8	–	1,587
Independent non-executive directors							
Ma Ka Chun	100	–	–	–	–	–	100
Chan Kwong Fai	100	–	–	–	–	–	100
Kwan Kai Cheong	150	–	–	–	–	–	150
	350	13,902	4,800	–	76	1,987	21,115

The remuneration of every director and the chief executive for the year ended 31 December 2013 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowances HK$'000	Employer's contribution to retirement schemes HK$'000	Share-based compensation in respect of share options HK$'000	Total HK$'000
Executive directors							
Li Kwok Tung, Roy	–	4,123	1,500	–	15	–	5,638
Lai Ching Ping *(Note (i))*	–	3,488	1,500	–	15	–	5,003
Lee Kwok Leung *(Note (i))*	–	1,812	1,500	–	15	–	3,327
Cheung Chi *(Note (iii))*	–	2,252	1,500	–	15	–	3,767
Independent non-executive directors							
Ma Ka Chun	100	–	–	–	–	–	100
Chan Kwong Fai	100	–	–	–	–	–	100
Kwan Kai Cheong	150	–	–	–	–	–	150
Wun Kwang *(Note (iv))*	46	–	–	–	–	–	46
	396	11,675	6,000	–	60	–	18,131

No directors waived any emoluments during the year ended 31 December 2014 (2013: Nil).

25 EMPLOYMENT BENEFIT EXPENSE (Continued)

(b) Directors' and chief executive's emoluments (Continued)

Notes

(i) Mr. Lai Ching Ping was the Deputy Chairman, an executive Director and the chief executive officer of the Company during the year ended 31 December 2013 and had resigned as the chief executive officer effective from 2 January 2014 but remained as the Deputy Chairman and an executive Director of the Company. Mr. Lee Kwok Leung was redesignated as the chief executive officer and resigned as the chief operating officer on the same date.

(ii) Dr. Chow Chi Wai was appointed as an executive Director and the chief operating officer effective from 2 January 2014.

(iii) Mr. Cheung Chi was an executive Director and chief financial officer of the Company during the year ended 31 December 2013 and had resigned with effect from 5 June 2014 and 1 March 2014 respectively.

(iv) Mr. Wun Kwang was the independent non-executive director of the Company and had resigned effective from 17 June 2013.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 include four (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining one individual (2013: two individuals) during the year are as follows:

	2014 **HK$'000**	2013 HK$'000
Basic salaries, housing allowances and other allowances	**1,365**	3,272
Discretionary bonuses	**4,375**	6,941
Retirement benefit — defined contribution schemes	**17**	30
	5,757	10,243

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands (in HK dollar)		
HK$3,500,001–HK$4,000,000	**—**	1
HK$5,500,001–HK$6,000,000	**1**	—
HK$6,000,001–HK$6,500,000	**—**	1

(d) During the year ended 31 December 2014, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

26 FINANCE INCOME AND COSTS

	2014 HK$'000	2013 HK$'000
Interest income from		
— Bank deposits	**14,161**	14,064
— Convertible bonds (Note 37(c))	**—**	2,644
— Customers for extended credit terms	**4**	16
— Receivables from a lessor	**1,894**	—
Finance income	**16,059**	16,724
Finance costs		
— Bank borrowings	**(5,313)**	(2,949)
Finance income — net	**10,746**	13,775

27 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

Subsidiaries and associates established and operated in Mainland China are subject to Mainland China Enterprise Income Tax at a rate of 25% for the year (2013: 25%).

Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amounts of income tax expense charged/(credited) to the consolidated income statement represent:

	2014 HK$'000	2013 HK$'000
Current income tax		
— Hong Kong profits tax	**29,462**	24,073
— Mainland China enterprise income tax	**5,356**	3,721
— Overseas income tax	**5,870**	1,873
— (Over)/under provision in prior years	**(566)**	3,198
	40,122	32,865
Deferred income tax (Note 19)	**(9,444)**	5,314
	30,678	38,179

27 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax excluding share of (losses)/profits of associates	**50,311**	158,374
Tax calculated at domestic tax rates applicable to profits in the respective places/countries	**6,870**	19,092
Tax effects of:		
— Income not subject to tax	**(3,263)**	(4,387)
— Expenses not deductible for tax purposes	**11,542**	14,877
— Tax concession	**(8,787)**	(2,843)
— Tax losses for which no deferred income tax was recognised	**31,885**	18,651
— Temporary differences not recognised	**450**	886
— Utilisation of previously unrecognised tax losses	**(5,896)**	(11,924)
— Withholding tax (credit)/charged on undistributed earnings of subsidiaries and associates	**(1,810)**	468
— (Over)/under provision in prior years	**(566)**	3,198
— Others	**253**	161
Tax charge	**30,678**	38,179

The weighted average applicable tax rate was approximately 14% (2013: 12%). The change is mainly caused by a change in mix of profits earned by different Group companies which are subject to different tax rates.

28 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$175,043,000 (2013: HK$301,475,000).

29 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$31,770,000 (2013: HK$151,205,000) and on the weighted average number of approximately 1,268,400,000 (2013: 1,268,400,000) ordinary shares in issue during the year.

	2014	2013
Profit attributable to equity holders of the Company *(HK$'000)*		
— Continuing operations	**31,770**	136,429
— Discontinued operations	**—**	14,776
	31,770	151,205
Weighted average number of ordinary shares in issue *('000)*	**1,268,400**	1,268,400
Basic earnings per share *(HK cents)*		
— Continuing operations	**2.5**	10.8
— Discontinued operations	**—**	1.1
	2.5	11.9

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes (Note 20) are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares in the relevant periods) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

29 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

	2014	2013
Profit attributable to equity holders of the Company *(HK$'000)*		
— Continuing operations	**31,770**	136,429
— Discontinued operations	**—**	14,776
	31,770	151,205
Weighted average number of ordinary shares in issue *('000)*	**1,268,400**	1,268,400
Adjustment for:		
— Share options *('000)*	**103**	—
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,268,503**	1,268,400
Diluted earnings per share *(HK cents)*		
— Continuing operations	**2.5**	10.8
— Discontinued operations	**—**	1.1
	2.5	11.9

The diluted earnings per share for the year ended 31 December 2013 were the same as the basic earnings per share as the potential ordinary shares arising from the share options granted by the Company outstanding during the year ended 31 December 2013 were anti-dilutive.

30 DIVIDENDS

	2014 **HK$'000**	2013 HK$'000
Interim dividend paid of HK3.0 cents (2013: HK3.0 cents) per ordinary share	**38,052**	38,052
Proposed final dividend of HK4.0 cents (2013: HK4.0 cents) per ordinary share	**50,736**	50,736
	88,788	88,788

The Board proposed a final dividend of HK4.0 cents (2013: HK4.0 cents) per ordinary share, amounting to a total dividend of HK$50,736,000 (2013: HK$50,736,000), and is to be proposed at the upcoming annual general meeting. These financial statements do not reflect this dividend payable.

31 NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of cash generated from operations

	2014 HK$'000	2013 HK$'000
Profit before income tax	**48,065**	155,185
Adjustments for:		
— Amortisation of intangible assets	**44,613**	8,149
— Amortisation of land use rights	**2,899**	572
— Loss/(gain) on disposal of property, plant and equipment and land use rights, net	**2,578**	(49)
— Gain on disposal of land use rights classified as held for sale	**—**	(12,368)
— Gain on disposal of intangible asset	**—**	(45,676)
— Depreciation of property, plant and equipment	**133,106**	98,109
— Impairment of property, plant and equipment, net	**11,339**	44,320
— Provision for/(write-back) of inventories, net	**12,668**	(13,703)
— Impairment of trade receivable, net	**1,384**	5,352
— Licence fee	**—**	1,560
— Finance income — net	**(10,746)**	(13,858)
— Share of losses/(profits) of associates	**2,246**	(4,198)
— Realisation of accumulated exchange gain upon liquidation of a subsidiary	**(5,222)**	—
— Exchange gains, net	**—**	(4,990)
— Share option expenses	**2,922**	—
Changes in working capital:		
— Inventories	**14,457**	(25,816)
— Trade and bills receivable	**(10,385)**	(15,421)
— Deposits, prepayments and other receivables	**(3,796)**	(49,757)
— Trade and bills payable	**(51,369)**	37,803
— Accruals and other payables	**(22,957)**	(36,136)
Cash generated from operations	**171,802**	129,078

(b) In the cash flow statement, proceeds from disposal of property, plant and equipment and land use rights comprise:

	2014 HK$'000	2013 HK$'000
Disposal of property, plant and equipment and land use rights:		
Net book amount	**9,670**	560
(Loss)/gain on disposal of property, plant and equipment and land use rights	**(2,578)**	49
Proceeds from disposal of property, plant and equipment and land use rights	**7,092**	609

31 NOTES TO CASH FLOW STATEMENT (Continued)

(c) Significant non-cash transaction

During the year, prepayment of rental expenses to a lessor amounting to HK$35,100,000 is renegotiated and redesignated as receivables from a lessor.

32 ASSETS/LIABILITIES OF DISCONTINUED OPERATIONS AND OTHER NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

(a) Disposal of land use rights

On 8 July 2014, the Group entered into a sale and purchase agreement with a third party in relation to the disposal of certain land use rights in Mainland China for a consideration RMB25,000,000 (equivalent to approximately HK$31,175,000). As at 31 December 2014, a deposit of RMB25,000,000 (equivalent to approximately HK$31,175,000) had been received and was included in accruals and other payables. The transaction is not yet completed as at 31 December 2014. The land use rights with carrying values of HK$3,625,000 (Note 6) were classified as non-current assets held for sale as at 31 December 2014.

(b) Discontinued operations

*Discontinued operations of Winor Group and disposal of '**Diadora**' Trademarks*

On 10 July 2013, the Group entered into a master deed with Diadora Sport SRL and Wincina S.R.L., a wholly-owned subsidiary of Diadora Sport SRL. Pursuant to the master deed, the Group agreed to assign, among others, the '***Diadora***' trademarks and domain names in Mainland China, Hong Kong and Macau to Diadora Sport SRL at a consideration of US$9,200,000 (equivalent to approximately HK$71,760,000) and US$1,000 (equivalent to approximately HK$7,800), respectively. In addition, Wincina S.R.L. agreed to transfer its 40% equity shareholding in Winor International Company Limited ("**Winor**"), a 60% owned subsidiary of the Group, to Windia Holdings Limited, a wholly owned subsidiary of the Group at HK$1. At the same time, Diadora Sport SRL granted the right to use of the '***Diadora***' trademarks to the Group in Mainland China, Hong Kong and Macau during a transitional period from the date of the master deed to (i) the date that all the Group's leases, licences and the agreements relating to '***Diadora***' products and/or arrangements to manufacture any '***Diadora***' related stock having been terminated or ceased or expired and all related shops having been closed, or (ii) 31 January 2015, whichever is earlier at a license fee of US$200,000 (equivalent to approximately HK$1,560,000). The payment of such license fee of US$200,000 was set off against the above disposal consideration.

32 ASSETS/LIABILITIES OF DISCONTINUED OPERATIONS AND OTHER NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE (Continued)

(b) Discontinued operations (Continued)

*Discontinued operations of Winor Group and disposal of '**Diadora**' Trademarks (Continued)*

As at 31 December 2014, the Group has received the consideration of US$7,650,000 (equivalent to approximately HK$59,670,000). The remaining consideration of US$1,350,000 (equivalent to approximately HK10,530,000) has been paid to an escrow agent by Diadora Sport SRL in accordance with the master deed and will be released to the Group under certain conditions. At the date of the disposal, the carrying amount of trademarks amounted to HK$26,084,000. During the year ended 31 December 2013, the Group had recognised a gain on disposal of trademarks of HK$45,676,000 in other gains — net of discontinued operations. Pursuant to the master deed, the distribution business of the '***Diadora***' products was wholly ceased in 2013. Therefore its results were presented as a discontinued operation and its assets and liabilities were classified as assets/liabilities of discontinued operations in the consolidated financial statements as at 31 December 2013.

Discontinued operations of Umbro retail business in Mainland China

The Group's retail business of the '***Umbro***' products in Mainland China was wholly ceased in 2013. Therefore its results were presented as a discontinued operation and its assets and liabilities were classified as assets/liabilities of discontinued operations in the consolidated financial statements for the year ended 31 December 2013.

The major classes of assets and liabilities of the discontinued operations were as follows:

	As at 31 December 2013 HK$'000
Assets directly associated with the discontinued operations:	
— Trade receivables	1,498
— Deposits, prepayments and other receivables	5,894
Total assets of the discontinued operations	7,392
Liabilities directly associated with the discontinued operations:	
— Trade payables	1,873
— Accruals and other payables	5,482
Total liabilities of the discontinued operations	7,355
Net assets of the discontinued operations	37

32 ASSETS/LIABILITIES OF DISCONTINUED OPERATIONS AND OTHER NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE (Continued)

(b) Discontinued operations (Continued)

Financial information relating to the discontinued operations for the year ended 31 December 2013 was set out below. The income statement distinguishes discontinued operations from continuing operations.

	For the year ended 31 December 2013 HK$'000
Revenue	81,137
Costs of sales	(70,582)
Gross profit	10,555
Selling and distribution costs	(44,505)
General and administrative expenses	(39,546)
Other income *(Note (a))*	18,464
Other gains — net *(Note (b))*	47,562
Operating loss	(7,470)
Finance income	83
Loss before income tax	(7,387)
Income tax expense	(1,501)
Loss from discontinued operations	(8,888)
Profit/(loss) from discontinued operations attributable to:	
— Equity holders of the Company	14,776
— Non-controlling interests	(23,664)
	(8,888)

Notes:

(a) The retail support income amounting to HK$18,205,000 was included in other income for the year ended 31 December 2013.

(b) The gain on disposal of '***Diadora***' trademarks amounting to HK$45,676,000 was included in other gains — net for the year ended 31 December 2013.

32 ASSETS/LIABILITIES OF DISCONTINUED OPERATIONS AND OTHER NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE (Continued)

(b) Discontinued operations (Continued)

	For the year ended 31 December 2013 HK$'000
Operating cash flows	35,005
Investing cash flows	48,973
Financing cash flows	(127,818)
Total cash flows	(43,840)

Expenses included in the discontinued operations are analysed as follows:

	2013 HK$'000
Purchase of finished goods	25,094
Changes in inventories of finished goods	44,713
Depreciation of property, plant and equipment	3,845
Licence fee	1,560
Amortisation of intangible assets	704
Auditor's remuneration	249
Impairment of trade and bills receivable, net	4,868

33 CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities (2013: Nil).

34 COMMITMENTS — GROUP

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet provided for is as follows:

	2014 HK$'000	2013 HK$'000
Property, plant and equipment		
Contracted but not provided for	**70,301**	4,767

As at 31 December 2014, the Group had commitments to inject additional capital into certain subsidiaries established in Mainland China and Vietnam, totalling approximately HK$31,732,000 (2013: HK$117,511,000).

(b) Operating lease commitments

The Group leases various retail shops, offices, warehouses and office equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**158,656**	156,322
Later than one year and not later than five years	**179,240**	186,176
Later than five years	**43,975**	41,536
	381,871	384,034

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales less the basic rentals of the respective leases, as it is not possible to determine in advance the amount of such additional rentals.

35 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) On 30 June 2014, Rich Form (HK) Limited issued a total of 2,000 ordinary shares to Portico Group Limited at HK$1 per share, which is settled by the amount due to Portico Group Limited of HK$2,000. Thereafter, the Group's equity interest in Rich Form (HK) Limited increased from 70% to 75%. In this connection, the Group recognised an increase in non-controlling interests of HK$556,000 and a decrease in equity attributable to owners of the Company of HK$556,000 during the year ended 31 December 2014.

On 22 December 2014, Win Sports issued a total of 265,018,082 ordinary shares to Frankton International Limited at HK$1 per share, which is settled by capitalisation of the shareholder's loan from Frankton International Limited of HK$265,018,082. Thereafter, the Group's equity interest in Win Sports increased from 75% to 94.2%. In this connection, the Group recognised an increase in non-controlling interests of HK$29,971,000 and a decrease in equity attributable to owners of the Company of HK$29,971,000 during the year ended 31 December 2014.

(b) On 10 July 2013, the Group entered into an agreement with Wincina S.R.L. to acquire an additional 40% equity interest in Winor at a consideration of HK$1 from Wincina S.R.L.. The acquisition was completed on 10 July 2013. Thereafter, the Group's equity interest in Winor and its subsidiaries ("**Winor Group**") was increased from 60% to 100% during the year ended 31 December 2013. The acquisition of the additional interest did not result in change of control of Winor Group. The carrying amount of the non-controlling interests in Winor on the date of acquisition was HK$13,378,000. The Group recognised a decrease in non-controlling interests of HK$13,378,000 and an increase in equity attributable to owners of the Company of HK$13,378,000 during the year ended 31 December 2013.

The effect of changes in the ownership interest of Winor on the equity attributable to owners of the Company during the year ended 31 December 2014 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests disposed of	13,378
Consideration paid to non-controlling interests	—
Gain recognised within equity	13,378

36 BUSINESS COMBINATIONS

In 2011, the Group entered into an agreement with Shine Gold and its beneficial owners, pursuant to which the Group agreed to subscribe for convertible bonds of Shine Gold in an aggregate principal amount of HK$70,000,000 which would be issued in two tranches. The convertible bonds bore interest from its date of issue at a rate of 5% per annum on the principal amount, and could be converted in full into 60%-70% of the issued share capital of Shine Gold any time over five years, depending on certain conditions. The convertible bonds were not traded on an active market.

On 16 August 2011, the Group acquired the first tranche of convertible bonds with principal amount of HK$31,200,000, which represents 26.7% potential voting rights. Upon the first tranche completion, the Group nominated representatives on the board of directors and has consequently significant influence on the financial and operating policy decisions of Shine Gold, which is thus an associate of the Group in accordance with HKFRS at 31 December 2012.

On 21 February 2013, the Group acquired the second tranche of convertible bonds with principal amount of HK$38,800,000.

On 1 November 2013, the Group converted the convertible bonds in full into 70% of the issued share capital of Shine Gold. At conversion date, the convertible bonds were fair-valued by Jones Lang LaSalle, an independent firm of valuers not connected to the Group. As the carrying amounts of the convertible bonds approximated their fair values as at 1 November 2013, no gain/loss was recognised in the consolidated financial statements.

Subsequent to the conversion, Shine Gold has become a subsidiary of the Group in accordance with HKFRS.

The goodwill of HK$90,635,000 arising from the acquisition was attributable to management expectation for future profitability of the business, risk diversification and synergies expected by including Shine Gold Group into the Group. None of the goodwill recognised was expected to be deductible for income tax purposes.

36 BUSINESS COMBINATIONS (Continued)

The following table summarised the consideration paid for Shine Gold, the fair value of assets acquired, liabilities assumed and the non-controlling interest as at 1 November 2013.

Consideration:

At 1 November 2013	HK$'000
Fair value of convertible bond investments in Shine Gold	70,000
Total consideration	70,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	26,728
Property, plant and equipment (Note 7)	32,449
Trademarks (included in intangible assets) (Note 8)	13,966
Licence rights (included in intangible assets) (Note 8)	87,722
Inventories	91,805
Trade and bill receivable	20,812
Deposits, prepayments and other receivables	47,127
Trade and bill payable	(26,318)
Accruals and other payables	(56,089)
Borrowings	(237,986)
Current income tax liabilities	(10,059)
Deferred tax liabilities (Note 19)	(19,636)
Total identifiable net liabilities	(29,479)
Non-controlling interest	8,844
Goodwill (Note 8)	90,635
	70,000

Acquisition-related costs of approximately HK$118,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 December 2013.

The fair value of the convertible bond of HK$70,000,000 at conversion date was estimated by using valuation techniques. The fair value estimates were based on a pre-tax discount rate of 19%. This was a level 3 fair value measurement.

The revenue included in the consolidated income statement since 1 November 2013 contributed by Shine Gold was approximately HK$99,362,000. Shine Gold also contributed loss of approximately HK$474,000 over the same period. Had Shine Gold been consolidated from 1 January 2013, the consolidated income statement would show pro-forma revenue of approximately HK$3,294,700,000 and profit of approximately HK$86,353,000.

The carrying amount of non-controlling interest recognised at the acquisition date was measured by the proportionate share of the fair value of net identifiable assets/liabilities by shareholding of non-controlling interest.

Included in the fair value of trade and bills receivable was trade receivables of HK$20,812,000. The gross contractual amount for trade receivables due was HK$20,812,000, and none was expected to be uncollectible.

37 RELATED PARTY TRANSACTIONS

The Group is controlled by Quinta Asia Limited (the immediate holding company), a Company incorporated in the British Virgin Islands, which owns approximately 58.64% of the Company's shares as at 31 December 2014. The Company's directors regard Quinta Asia Limited as being the ultimate holding company.

Apart from those disclosed elsewhere in these consolidated financial statements, the following significant transactions were carried out with related parties:

(a) Sales of goods and services

	2014 **HK$'000**	2013 HK$'000
Sales of goods:		
Entities controlled by non-controlling shareholder of a subsidiary		
— Amerseas Enterprises Ltd	**5,707**	4,291
— Amerseas Sporting Goods (Heyuan) Co. Ltd	**136**	14
— Guangzhou Tien Sung Sporting Goods Co. Ltd	**1**	4
— Heyuan Tien Sung Sporting Goods Co. Ltd	**18**	47
— Tien Gee Sporting Goods Co. Ltd	**56**	1,510
— TSG International Ltd	**501**	734
Associate of the Group		
— D-mop Limited (up to 1 November 2013)	**—**	2,389
— Fu Hsun Bowker Dyeing Factory (Heyuan) Co. Ltd	**89**	88
Sales of services:		
Entity controlled by non-controlling shareholder of a subsidiary		
— Amerseas Enterprises Ltd — processing income	**—**	8
— TSG International Ltd — processing income	**—**	181
— Tien Gee Sporting Goods Co. Ltd — processing income	**—**	403
	6,508	9,669

Goods and services are sold at prices mutually agreed by both parties.

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of goods and services

	2014 HK$'000	2013 HK$'000
Associate of the Group		
— Fu Jin Bowker Company Limited	**180,144**	223,562
Major shareholder of an associate of the Group		
— Fu Hsun Fiber Industrial Co. Ltd	**24,986**	80,659
	205,130	304,221

Goods and services are purchased at prices mutually agreed by both parties.

(c) Interest income from an associate

	2014 HK$'000	2013 HK$'000
Associate of the Group		
— Shine Gold Limited (up to 1 November 2013)		
Convertible bonds (Note 26)	**–**	2,644

37 RELATED PARTY TRANSACTIONS (Continued)

(d) Year-end balances arising from sales/purchases of goods and services

	2014 HK$'000	2013 HK$'000
Receivables from related parties (included in trade receivables):		
Entities controlled by non-controlling shareholder of a subsidiary		
— Amerseas Enterprises Ltd	**1,999**	1,190
— Amerseas Sporting Goods (Heyuan) Co. Ltd	**34**	1
— Heyuan Tien Sung Sporting Goods Co. Ltd	**1**	12
— Tien Gee Sporting Goods Co. Ltd	**—**	289
— TSG International Ltd	**153**	211
	2,187	1,703
Payables to related parties (included in trade payables):		
Associate of the Group		
— Fu Jin Bowker Company Limited	**47,995**	61,414
Major shareholder of an associate of the Group		
— Fu Hsun Fiber Industrial Co. Ltd	**5,368**	29,130
	53,363	90,544
Payables to related parties (included in accruals and other payables):		
Non-controlling shareholder of a subsidiary		
— Yuen Chi Leung	**1,242**	1,242

All amounts are unsecured and payable within normal trade credit terms.

37 RELATED PARTY TRANSACTIONS (Continued)

(e) Loans from related parties

	2014 **HK$'000**	2013 HK$'000
Non-controlling shareholders of subsidiaries		
— Yuen Chi Leung	**7,500**	7,500
— Kwang Sia Fashion Limited	**275**	275
	7,775	7,775

The loan from Yuen Chi Leung is unsecured, interest-free and is only repayable on the unanimous demand of Yuen Chi Leung and the Group, which are to be repaid to both shareholders in their respective proportions of outstanding shareholders' loans at the time of repayment.

The loan from Kwang Sia Fashion Limited is unsecured, interest-free and repayable on demand.

(f) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

(g) Key management compensation

	2014 **HK$'000**	2013 HK$'000
Salaries, bonus and allowances	**28,684**	28,529
Share-based compensation in respect of share options	**1,987**	—
Retirement benefits — defined contribution schemes	**107**	105
	30,778	28,634

(h) As at 31 December 2014, the Company granted corporate guarantees amounting to HK$311,480,000 (2013: HK$369,718,000) to certain banks of its subsidiaries in respect of the banking facilities granted of HK$345,480,000 (2013: HK$403,718,000). As at 31 December 2014, the banking facilities utilised by the subsidiaries amounted to HK$142,303,000 (2013: HK$195,721,000).

As at 31 December 2014, certain bank borrowings of the Group were secured by a corporate guarantee given by the Company and certain bank deposits of a non-controlling shareholder of a subsidiary (Note 18).

Glossary

In this annual report, unless the context states otherwise, the following expression have the following meanings:

"Board"	the board of Directors of the Company
"Charmtech"	Charmtech Industrial Limited, a non wholly-owned subsidiary of the Company
"Charmtech Group"	Charmtech and its subsidiary
"China" or "Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Company"	Win Hanverky Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 13 December 2005
"Core Connected Person"	has the meaning ascribed to it under the Listing Rule
"Director(s)"	the director(s) of the Company
"Group" or "we" or "our" or "us"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region in Mainland China
"Listing Date"	the date of commencement of dealings in our Shares on the Main Board, which is on 6 September 2006
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange)
"OEM"	acronym for original equipment manufacturing, a business that manufactures or purchases from other manufacturers and possibly modifies goods or equipment for branding and resale by others
"Pre-IPO Share Option(s)"	the options granted by the Company to certain employees, among others, prior to the listing of the Company
"RMB"	Renminbi, the lawful currency of Mainland China
"Share(s)"	the share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"Shine Gold"	Shine Gold Limited, a non-wholly owned subsidiary of the Company
"Shine Gold Group"	Shine Gold Limited and its subsidiaries
"Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"US"	the United States of America
"Win Sports"	Win Sports Limited, a non-wholly owned subsidiary of the Company
"Win Sports Group"	Win Sports and its subsidiaries

Glossary

"Winor"	Winor International Company Limited, a wholly owned subsidiary of the Company with effect from 10 July 2013, prior to which a non-wholly owned subsidiary of the Company
"Winor Group"	Winor and its subsidiaries

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