Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2014

Stock Code : 458

CONTENTS

CORPORATE INFORMATION

WANG KOO Yik Chun
Honorary Chairlady

BOARD OF DIRECTORS

Executive Director:
WANG Kin Chung, Peter,
Chairman and Chief Executive Officer

Non-Executive Directors:
WANG KOO Yik Chun, *Honorary Chairlady*
MAK WANG Wing Yee, Winnie
WANG Shui Chung, Patrick

Independent Non-Executive Directors:
LO Kai Yiu, Anthony
James Christopher KRALIK
Peter TAN

AUDIT COMMITTEE

LO Kai Yiu, Anthony,
Chairman of the Audit Committee
MAK WANG Wing Yee, Winnie
James Christopher KRALIK

REMUNERATION COMMITTEE

James Christopher KRALIK,
Chairman of the Remuneration Committee
MAK WANG Wing Yee, Winnie
LO Kai Yiu, Anthony
Peter TAN

SHARE OPTION COMMITTEE

WANG Kin Chung, Peter,
Chairman of the Share Option Committee
MAK WANG Wing Yee, Winnie

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

AU King Lun, Paulina

AUDITOR

PricewaterhouseCoopers,
Certified Public Accountants

LEGAL ADVISORS

On Hong Kong Law : Reed Smith Richards Butler
On Bermuda Law : Appleby

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Citibank, N.A.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Bank of East Asia, Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5th Floor, 66–72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2480-4676
Website : http://www.tristateww.com

CORPORATE COMMUNICATIONS

The Company Secretary
Tristate Holdings Limited
5th Floor, 66–72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2423-5576
Email : cosec@tristateww.com

LISTING INFORMATION

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1988.
Stock short name : Tristate Hold
Stock code : 458
Board lot : 1,000 shares

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda
Tel : (441) 299-3882
Fax : (441) 295-6759

BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel : (852) 2862-8555
Fax : (852) 2865-0990

	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED INCOME STATEMENT					
Revenue	**3,580,029**	3,599,903	3,387,877	3,273,299	3,035,219
Profit for the year attributable to:					
Equity holders of the Company	**148,277**	43,439	109,045	249,362	196,380
Non-controlling interests	**21**	(36)	(26)	(24)	–
Profit for the year	**148,298**	43,403	109,019	249,338	196,380
Basic earnings per share attributable to equity holders of the Company	**HK$0.55**	HK$0.16	HK$0.40	HK$0.93	HK$0.73
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Non-current assets	**802,932**	975,666	1,002,503	997,407	887,951
Current assets	**2,041,360**	1,761,598	1,568,538	1,513,481	1,187,127
Current liabilities	**1,175,690**	1,109,124	952,621	893,655	720,363
Net current assets	**865,670**	652,474	615,917	619,826	466,764
Total assets less current liabilities	**1,668,602**	1,628,140	1,618,420	1,617,233	1,354,715
Non-current liabilities	**115,631**	171,358	217,537	255,962	167,135
Net assets	**1,552,971**	1,456,782	1,400,883	1,361,271	1,187,580
Capital and reserves attributable to equity holders of the Company	**1,552,635**	1,456,467	1,400,532	1,360,894	1,187,179
Non-controlling interests	**336**	315	351	377	401
Total equity	**1,552,971**	1,456,782	1,400,883	1,361,271	1,187,580

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

2014 was a year of transition and challenge for Tristate Holdings Limited (the "Company"/"Tristate") and its subsidiaries (together, the "Group"). In December 2014, we entered an agreement for the early termination of the distribution of Jack Wolfskin products in the PRC and changed the partnership arrangement with Jack Wolfskin whereby the Group will provide consultancy and operational services to Jack Wolfskin in the PRC up to 31 December 2017. We are working hard to prepare our branded product business for the future. In addition to investing in our proprietary outdoor brand HASKI, the Group introduced two new proprietary brands, Cissonne and EFM (Engineered for Motion) in the second half of 2014. In this year, we continue to battle the rising cost of our garment manufacturing business with increasing sales to higher margin global fashion brands customers and production process automation and improvement. After our strategic plan to consolidate resources and close our Shenzhen factory, we disposed our Shenzhen subsidiary in this year and generated a pre-tax profit of HK$137 million.

RESULTS AND DIVIDENDS

For the year ended 31 December 2014, revenue of the Group was HK$3,580,029,000 as compared with HK$3,599,903,000 in 2013. Profit attributable to equity holders in 2014 increased to HK$148,277,000 from HK$43,439,000 in 2013. The current year's non-recurring profit and loss comprised gain on disposal of our Shenzhen subsidiary at the end of the year plus further restructuring costs; gain on disposal of a Taiwan office in first half of the year; and impairment of goodwill associated with a business unit under the garment manufacturing segment. In addition, the 2013 profit included write back of tax and penalty overprovisions after finalisation of tax audit with the Hong Kong Inland Revenue Department. Excluding all these non-recurring items, the decline in profit in this year was mainly attributable to the start-up investment for the Group's two proprietary brands Cissonne and EFM.

The Board of Directors of the Company recommends the payment of a final dividend of HK$0.06 per share.

BRANDED PRODUCT BUSINESS

In 2014, the Group's branded product distribution and retail business continued its growth. The increase in revenue is mainly attributable to the outdoor brands Jack Wolfskin and HASKI amid a soft and challenging retail market in China. Point of sale increased by 90 during 2014, and brings the total number of point of sale to 1,160 at end of 2014.

In December 2014, the Group entered into a framework termination agreement to terminate the license granted to the Group for the distribution of Jack Wolfskin branded products in the PRC, Hong Kong and Macau (the license was originally due to expire in December 2015). The termination has been effected on 27 March 2015. Upon the license termination, the Group ceases to distribute Jack Wolfskin products in the PRC, while the Group will be re-appointed as a distributor of the Jack Wolfskin products in Hong Kong and Macau. The Group's partnership with Jack Wolfskin in the PRC will continue by providing consultancy and operational services to help further develop the brand up to 31 December 2017. The Group will receive consultancy fees amounting to substantially the entire pre-tax earnings of Jack Wolfskin PRC business for the period from the termination date to 31 December 2015, plus certain agreed percentages of the gross profits of the business in 2016 and 2017. While Jack Wolfskin PRC business has been a steady income contributor to the Group, we believe that we have negotiated the best transaction possible and expect to retain substantially more earnings from the agreement versus the original and natural expiry of the license. The Group is proud to have supported and built Jack Wolfskin as a top outdoor brand in China with the number of outlets growing from 100 to over 700 in the past four years, and is pleased to support the smooth transition to Jack Wolfskin in the next years.

To expand our branded business portfolio which built on our strength in fabric development and garment manufacturing capabilities, the Group has introduced two new proprietary brands, Cissonne and EFM in the second half of 2014.

Cissonne is created as an international flavour female brand. In October 2014, the brand launched its showroom store in our Shanghai office building and in January 2015, we have opened our first flagship store in Shanghai Kerry Centre. Cissonne's ladies wears are inspired by ballerina elegance which silhouette emphasises elegance, simple well-tailored lines and wide age coverage. Luxury natural fibre, light weight, technical in function are the guiding principles in Cissonne's fabric development. We got very positive feedback about our high quality fabrics and special features. The brand also offers the popular mother-daughter costume collection which attracts attention from young and affluent mothers.

EFM is a menswear brand in collaboration with a renowned designer. The brand was launched in New York in Fall 2014. EFM has been created to develop high end consumer products with a unique approach to garment engineering based on function and mobility.

GARMENT MANUFACTURING

In 2014, we saw the continued increase in business with global fashion brands customers. Together with our Panyu factories, our Hefei factory has started to produce higher margin outerwear products for men in 2014. The increase in revenue mix from these customers together with the improving of production efficiency and quality through automation and process improvement have helped to mitigate the rise in labour and operating costs mainly in China.

As a leading manufacturer in the business, we continue to focus in our below key strategic areas.

Customer profile and product range

Our customer profile encompasses global fashion brands to national department store labels. The Group offers a wide range of fashion products, ranging from men's and women's career wear to casual outerwear and sportswear. We have extensive capabilities in fabric design and sourcing, garment design, pattern and sample making, as well as the ability to innovate to meet our customers' needs through strong manufacturing engineering solutions.

Strong customer relationship

The Group maintains the strategy of key accounts management and has developed multi-products with our core global customers having worldwide sales. This strategy has broadened and strengthened our relationships with existing customers and continued to open up opportunities for new accounts. The Group has also strengthened its scope of services by offering garment design, fabric development and testing, and providing complete apparel solutions to its customers. To better serve our customers, we have sales/liaison offices in Hong Kong, Macau, Shanghai, Kaohsiung and London. For many years, the Group received various awards from its customers in recognition of the strong business relationship and for the good performance of the Group.

Trinovation Lab – innovations in material, construction and design

The hybrid combination of luxury and high performance-wear, with its visual special effects, increased functionality, comfort and low weight, is at the heart of globalised 21st century fashion's desire for continuous innovation. Housed in our Hefei industrial compound, Trinovation Lab is a luxury sportswear R&D division. The Lab is equipped with the latest high performance fabric and manufacturing technologies, from laser cutting to sonic welding to complex garment dyeing and fabric bonding as well as experts drawn from across the globe. These cutting edge technologies and expertise are put in the service of innovative brands who are seeking to creatively manipulate these tools to produce sophisticated, innovative and entirely new fashion products. Our product centric laboratory commits to the experimentation and flexibility demanded by the fashion industry. The outstanding aspect is its ability to simultaneously work on three parts of product innovation – material, construction and design, which allows us and our client a greater degree of creativity, customisation, flexibility and importantly, efficiency.

Material innovation – fabric expertise lies in the sophisticated understanding of how to combine the shape-carrying elegance of natural fibers with the performance advantages given by the addition of synthetic yarns.

Construction innovation – we use engineering solutions to overcome the problems of the manual manufacturing system. Good engineering is about consistency and safety. We have developed a proprietary multi-level template sewing system which can be operated by the worker at a safe distance from the needle. The ex-novo development of engineering solutions also allows us to properly account for the particular qualities of next generation luxury synthetic materials (PU, polyester, high density nylon, bonded shell fabrics) and construction technologies (such as sonic welding, taped seams), the elements that the traditional part of the industry often has great trouble handling.

Design innovation is always collaboration between the client. The Group is equipped with the necessary cultural sophistication, manufacturing and fabric know-how and aesthetic training to be able to dialogue with the world's most demanding designers and brands.

Production and technological capabilities

Our factories' modern production process allowed us to serve wide product range while providing competitive cost base in various geography: China in southern and eastern regions, the Philippines, Thailand, Vietnam and Myanmar. In order to maintain the Group's competitiveness and mitigate the impact of continuous rising labour and manufacturing costs, innovative and advanced production technology and processes are continuing to be implemented to enhance factories' productivity and reduce manpower handling.

Corporate social responsibility and environmental considerations

As a socially responsible entity, the Group is committed to fostering long-term relationships with its shareholders, employees, customers and business partners. The Group recognises the importance of total Corporate Social Responsibility compliance to our customers. With these responsibilities and values in mind, we strive to deliver the best possible services and products to our customers and will continue to uphold social compliance as a strategic priority.

All our work sites have taken actions to implement a consistent auditing and accountability process encompassing health, safety and environmental compliance to meet customers' demands for greater ethical and environmental responsibility.

The Group is committed to creating a sustainable and greener environment and continues to explore ways to reduce carbon emission, conserve energy and reduce wastage. Our eco-friendly "green" factory in Hefei was accredited with a LEED silver rating, a high level certification for energy efficiency and overall environmental impact awarded by the U.S. Green Building Council. The green factory also earned acclaims from major customers and local environmental protection bodies in China. We have also implemented various environmental and sustainability initiatives in our other factories, including energy efficient lighting, dual flush toilets and low flow fixtures, waste recycling system, water curtain air-conditioning as well as replacing traditional clutch motors with more energy efficient servo motors. Activities to raise awareness of sustainability are also organised.

Human resources

With many talented, experienced and dedicated staffs in our Group, we continue to focus on enhancing teamwork across functions and geographies. We shall maintain our best practices to become a leader in the industry in delivering speedy and flexible production solutions and quality services to our customers.

OUTLOOK

Our focus on branded business will be investment in growing our proprietary brands HASKI, Cissonne and EFM. We will work on the long-term growth of our brands by focusing on three key ongoing initiatives. The first is the customisation of our products with our innovations in material, construction and design. The second is to improve awareness of our brands. Lastly, we continue to invest in our people and systems. We retain our optimistic view of the near to long term prospects of the China consumer market. With our knowledge and experience in running brands together with our strong fabric innovation capability, we believe our brands will achieve healthy growth and will succeed over the long term.

HASKI's store network is expected to exceed 150 stores by the end of 2015, from 115 stores at end of 2014. Our strategy will focus on product innovation and increase entry-level price point offering.

We will increase Cissonne's brand awareness in 2015. Cissonne plans to enter into top tier malls and popular department stores in major commercial cities to pursue Cissonne presence.

EFM will also create brand recognition and demand in 2015 with focus in building North America business. EFM will continue to apply technological development in materials, construction and design and bring the same into EFM products.

We are cautious about the outlook of our garment manufacturing business in 2015. The U.S. economy is expected to be the best performing, while the European economies will be still weak. Surging labour and operating costs in Asia especially in the PRC are still our challenges. Looking ahead, we shall continue to expand our business with global fashion brands customers. Our PRC factories will exploit their competitive edge for producing complex products that require skilled labour, quick in response and sophisticated technologies for these customers. Our Hefei compound will further increase production for complex products. The factory compound's in-house R&D, garment dying and washing plus other technological capabilities allow us to provide a one-stop facility to serve a wide range of products to our customers. Our project on first phase utilisation of automated machines in our China factories has proven successful. We now kick off our second phase focusing work specialisation for operators. On the other hand, our factories outside the PRC will continue to focus on customer orders with voluminous quantity at competitive price. In addition, we shall continue to diversify our customer base, optimise and improve our business structure and production efficiency, build up our design and development strength and at the same time implement stringent cost control.

The Group has its competitive strengths in delivering high quality and high value added products to meet and exceed customers' expectation. With our talented professionals, skilled labour and large-scale production facilities, we are confident that we shall be able to rise to the challenges ahead.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow Directors and the entire family of Tristate employees for their continuing dedication, professionalism and enthusiasm. I would also like to thank all our customers and shareholders for their confidence, business and ongoing trust and support for the Group.

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 30 March 2015

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of the Group for the year ended 31 December 2014.

OVERVIEW

Total revenue of the Group for the year 2014 was HK$3,580 million (2013: HK$3,600 million).

For the year ended 31 December 2014, the Group recorded a profit attributable to equity holders of HK$148 million as compared with HK$43 million in 2013. The current year's non-recurring profit and loss comprised gain on disposal of our Shenzhen subsidiary at the end of the year plus further restructuring costs; gain on disposal of a Taiwan office in first half of the year; and impairment of goodwill associated with a business unit under the garment manufacturing segment. In addition, the 2013 profit included write back of tax and penalty overprovisions after finalisation of tax audit with the Hong Kong Inland Revenue Department. Excluding all these non-recurring items, the decline in profit in this year was mainly attributable to the start-up investment for the Group's two proprietary brands, Cissonne and EFM (Engineered for Motion).

BUSINESS REVIEW

Revenue

Revenue of the branded product distribution, retail and trading segment was HK$1,481 million as compared with HK$1,458 million in 2013. The increase in revenue is mainly attributable to the outdoor brands Jack Wolfskin and HASKI amid a soft and challenging retail market in China.

As China continues its transition from an export and investment based economy to a consumer-led economy, coupled with the central government's clamp down on consumption using public money, growth rates in the premium, branded product retail market in both China and Hong Kong have slowed significantly. These dynamics began in earnest in late 2012 and we expect them to continue at least through 2015.

Another set of factors that are affecting our branded product retail business in China lies in the evolution of the channels in which we trade, as well as shifting consumer behaviors.

The department store channel is increasingly under pressure to retain its share of consumer spending. We continue to reconcile our footprint in this channel, i.e. maintaining productive stores, closing poor performers, and opening either high potential locations and/or new geographies. In the major markets, we are placing an ever greater degree of focus on channels that show strength – our shopping mall and outlet mall stores.

Despite the current headwinds, we were able broadly to maintain the topline of our branded business in 2014 and, as stated in the 2014 interim report, we place high importance on carefully tracking and maintaining the inventory and profit levels of our franchisees.

E-commerce continued to see strong growth rates and now holds a 12% share of our network's total retail sales. While we readily see the potential to maintain the growth story in China's e-com channel and will continue to invest in and grow the share of our full-priced items in this channel, e-commerce in China remains predominantly a clearance business for branded apparel dominated by the likes of Alibaba's TMall and its "double 11" sales promotion, VIP Store and its flash sales programs, and JD.com.

As of the end of 2014, we have 1,160 point of sale which represents a net increase of 90 over 1,070 as of the end of 2013.

To expand our branded business portfolio and build on our strength in fabric development and garment manufacturing capabilities, the Group has introduced two new proprietary brands, Cissonne and EFM in the second half of 2014.

Cissonne is created as an international flavour female brand. In October 2014, the brand launched its showroom store in our Shanghai office building with favourable feedbacks from both consumers and top tier mall operators. In January 2015, we have opened our first flagship store in Shanghai Kerry Centre. Cissonne's ladies wears are inspired by ballerina elegance which silhouette emphasises elegance, simple well-tailored lines and wide age coverage. Luxury natural fibre, light weight, technical in function are the guiding principles in Cissonne's fabric development. We got very positive feedback about our high quality fabrics and special features. The brand also offers the popular mother-daughter costume collection which attracts attention from young and affluent mothers.

As stated in the 2014 interim report, EFM is a menswear brand in collaboration with a renowned designer. EFM has been created to develop high end consumer products with a unique approach to garment engineering based on function and mobility. The brand was launched in New York in Fall 2014.

Revenue from the garment manufacturing segment decreased to HK$2,099 million as compared with HK$2,142 million in 2013. In line with our strategy, revenue from higher margin global fashion brands customers (which cover mainly more complicated outerwear categories) grew by 12% in 2014 as compared with 2013, and accounted for 63% (2013: 55%) of the segment revenue. In general, the increase in sales of outerwear products shifted our peak production season to the second and third quarters while sales income are skewed towards the Fall/Winter season. Sales to national brands customers decreased by 20% in 2014 as we have reduced our capacity for categories with challenging price.

Geographically, sales to the PRC, the US and the UK accounted for 51% (2013: 46%), 26% (2013: 29%) and 17% (2013: 19%) respectively of the Group's total revenue.

The Group's business has been increasingly skewed towards the second half year mainly due to the seasonality effect of the Fall/Winter and holiday seasons shipments and wholesale sales. The Group expects that the pattern of a larger proportions of sales and earnings recorded in the second half of the year will continue in the future.

Gross profit

During the year, the Group's overall gross profit remained stable at HK$1,091 million (2013: HK$1,107 million), representing a gross profit margin of 30.5% (2013: 30.8%).

The overall gross profit margin of the branded product distribution, retail and trading business was stable as compared with 2013. In 2014, we have provided more discounts to our franchisees to maintain their profitability, while at the same time, we were able to release inventory provisions upon realisation of inventories to healthier levels.

The gross profit margin of the garment manufacturing segment has maintained relatively stable. The continued increase of sales to higher margin global fashion brands customers and production process improvements have helped to offset the rises in wages and staff costs mainly in China during the year.

Selling and distribution expenses

Selling and distribution expenses comprise mainly advertising and promotion, royalty and shop expenses of the branded product distribution, retail and trading business. Selling and distribution expenses decreased mainly due to cost controls across all brands and less sample making costs for the garment manufacturing business.

General and administrative expenses

General and administrative expenses rose by 8% to HK$623 million as compared with HK$574 million in 2013. In 2013, the general and administrative expenses were reduced by an one-off write-back of overprovisions of tax penalties of HK$22 million upon finalisation of the tax audit with the Hong Kong Inland Revenue Department, while there is no such credit in 2014. Besides, the general pay rise and the increase in staff and administrative costs for the Group's two proprietary brands Cissonne and EFM also led to the rise of general and administrative expenses in 2014.

Disposal of a PRC subsidiary

In the second half of 2013, following the strategic plan to consolidate resources of owned factories in China, the Group started to close down the factory operations of our Shenzhen subsidiary, namely, Chochuen Garment (Shenzhen) Co., Ltd. ("Chochuen"), and provided restructuring costs in the 2013 consolidated income statement. In the year ended 31 December 2014, additional closure costs of HK$9 million were incurred and, after the cessation of production and factory operations, the Group disposed of Chochuen at a consideration of HK$172 million and recognised a net pre-tax gain on disposal of HK$137 million. The disposal consideration was fully settled in January 2015.

Disposal of freehold land and building

During the year ended 31 December 2014, the Group disposed of a Taiwan office property which used to house our former Taipei liaison office at a consideration equivalent to HK$32 million and realised a net pre-tax gain of HK$30 million.

Impairment of goodwill

Goodwill was recorded at a business unit under the garment manufacturing segment when the Group acquired a full service vendor group in 2008. The full service vendor group primarily provides complete apparel solutions including design, fabric development and make to a UK customer. Overall weakness in the European economies and the challenging operating environment has affected the business of the unit. In addition, the customer has moved to increase the proportion of in-house design and direct sourcing in order to speed up supply chain and improve margin. Under this backdrop, while the business unit will continue to strengthen its know-how and competitiveness for its key ladies' tailoring products and provide services to the UK customer and other customers, the Group has performed an impairment assessment on the goodwill and full impairment of HK$21 million was made in the 2014 consolidated income statement.

Early termination of license agreement for Jack Wolfskin branded products in the PRC

On 24 December 2014, the Group entered into a framework termination agreement (the "Termination Agreement") to terminate the license granted to the Group for the distribution of Jack Wolfskin products in the PRC, Hong Kong and Macau (the license was originally due to expire in December 2015). Details of the Termination Agreement were set out in the announcement of the Company dated 24 December 2014. The termination has been effected on 27 March 2015 upon satisfaction of the required conditions, including the set up of a company ("JW PRC Co") to continue operating the Jack Wolfskin branded product distribution business in the PRC ("JW PRC business").

Upon the license termination, the Group ceased to distribute Jack Wolfskin products in the PRC, while the Group will be re-appointed as a distributor of the Jack Wolfskin products in Hong Kong and Macau. The Jack Wolfskin PRC distribution business has been a steady income contributor to the Group, with revenue totalling HK$972 million in the year ended 31 December 2014 (2013: HK$946 million). As stipulated in the Termination Agreement, Shanghai Tristate Enterprises Co., Ltd. ("Shanghai Tristate", a wholly-owned subsidiary of the Group), shall provide consultancy services to JW PRC Co, from the termination date to 31 December 2017, to advise and assist JW PRC Co on the development, procurement, sale and marketing of the Jack Wolfskin products in the PRC, as well as in relation to the management of the JW PRC business. Shanghai Tristate shall receive consultancy fees amounting to substantially the entire pre-tax earnings of JW PRC Co for the period from the termination date to 31 December 2015, plus certain agreed percentages of the gross profits of JW PRC Co in 2016 and 2017. In addition, Shanghai Tristate shall receive monthly fees for the provision of certain operational services to JW PRC Co to facilitate the smooth transition of the JW PRC business. The Group believes that it has negotiated the best transaction possible and expects to retain substantially more earnings from the Termination Agreement taken as a whole versus the original and natural expiry of the license which was set for 31 December 2015.

Save as disclosed above, there were no acquisitions or disposals of subsidiaries or associated companies during the year and up to the date of this Annual Report and no important events affecting the Group have occurred since 31 December 2014 and up to the date of this Annual Report.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2014, cash and bank balances amounted to HK$723 million (2013: HK$693 million) which were mainly denominated in Renminbi and US dollars. Short-term bank borrowings of the Group amounted to HK$444 million as at 31 December 2014 (2013: HK$404 million). Such borrowings were mainly denominated in US dollars and Hong Kong dollars. As at 31 December 2014, HK$434 million (2013: HK$286 million) and HK$10 million (2013: HK$118 million) of the short-term bank borrowings were interest bearing at fixed rates and floating rates, respectively. The Group maintained sufficient banking facilities and did not have any long-term bank borrowings outstanding as at 31 December 2014. As at 31 December 2014, banking facilities extended to the Group were not secured with the Group's assets (2013: Nil). The Group did not have net borrowings as at 31 December 2014, and accordingly, no information on gearing ratio as at that date is provided.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi and Euro. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the year ended 31 December 2014, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollars denominated processing income for factories in the PRC and Euro for royalty payments to a licensor.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no material capital commitments or contingent liabilities as at 31 December 2014 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had about 12,680 employees as at 31 December 2014 (2013: 12,500). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance were also awarded discretionary bonuses and share options.

OUTLOOK

Over the course of 2015, our branded product distribution business will see structural changes, as we have reached an agreement to terminate the Jack Wolfskin PRC distribution license on 27 March 2015. While the termination will affect the Group's distribution revenue and profit after the termination date, the Group will receive consultancy and operational service fee income up to 31 December 2017. The Group expects to retain substantially more earnings from the arrangement versus the original and natural expiry of the license.

Going forward, in addition to our licensed global lifestyle brand Nautica, our focus will be investment in our proprietary brands HASKI, Cissonne and EFM for sustainable long-term growth. With our knowledge and experience in running brands together with our strong fabric innovation capability, we believe our branded business will succeed over the long term.

Despite China's outdoor retail market remaining muted and promotional, HASKI saw its topline increase by 44% in 2014 and we expect to maintain a high rate of growth in 2015. Our strategy will focus on product innovation and an increase of entry-level price point offering. Our store network is expected to exceed 150 point of sale by the end of 2015.

Cissonne organised fashion show and appeared in China's most popular woman fashion magazine in January 2015. Cissonne plans to enter into top tier malls and popular department stores in major commercial cities to pursue its presence.

EFM will create brand recognition and demand in 2015 aiming at building North America business. EFM has completed Pitti Uomo show in Florence in mid-January 2015 and will participate in other strategic trade shows in 2015. On product strategy, EFM will continue to apply technological development in materials, construction and design and bring the same into EFM products; and at the same time to refine and evolve the product assortment and pricing to fit consumer and retailer profile.

On the garment manufacturing business, there has been increased divergence among the major economies' outlooks for growth and with major differences in monetary policy. The US economy is expected to be the best performing advanced country in 2015, while the European countries are expected to be among the worst performers. In 2015, the China government will maintain a stable and high growth to boost the confidence in making the next five years plan. However, the macroeconomic indicators in China imply a significant downward pressure for China to maintain the desirable level of growth. Under this backdrop, we expect our customers will tighten their inventory buy. Cost-wise, labour and operating cost in Asia, especially China will continue to increase. We will continue to improve profitability by expanding our business with higher margin global fashion brands customers. This growth strategy meets our product strength and extensive capabilities in manufacturing complicated outerwear products. We have gained new global fashion brands customers and also see year-on-year business growth with existing customers. We continue to expand this strategic market by providing value-added services to the customers through the collaboration of our strengths in product design, fabric innovation and advanced manufacturing research and development. On top of our two Panyu factories, our Hefei compound has also increased its production of outerwear products for the higher margin customers. Our projects on improving production and quality control systems, smoothening production cycle and utilising automated machines in our China factories have proven successful. We now kick off our second phase focusing work specialisation for operators. These measures will also be rolled out in overseas factories in the near future. While our China factories will continue to focus on serving global fashion brands customers with complex products, our overseas factories will focus on customer orders with voluminous quantity at competitive price. Our directions and actions are on track to improve profitability of this business. We shall continue to diversify our customer base, further build our design and development strength, improve our operating efficiency and implement stringent cost control.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance and recognises the importance of effective corporate governance.

Throughout the year ended 31 December 2014, the Company has complied with all the Code Provisions set out in the Corporate Governance Code (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the deviation from Code Provisions A.2.1, A.5 and A.6.7.

Details of the corporate governance practices adopted by the Company are set out below.

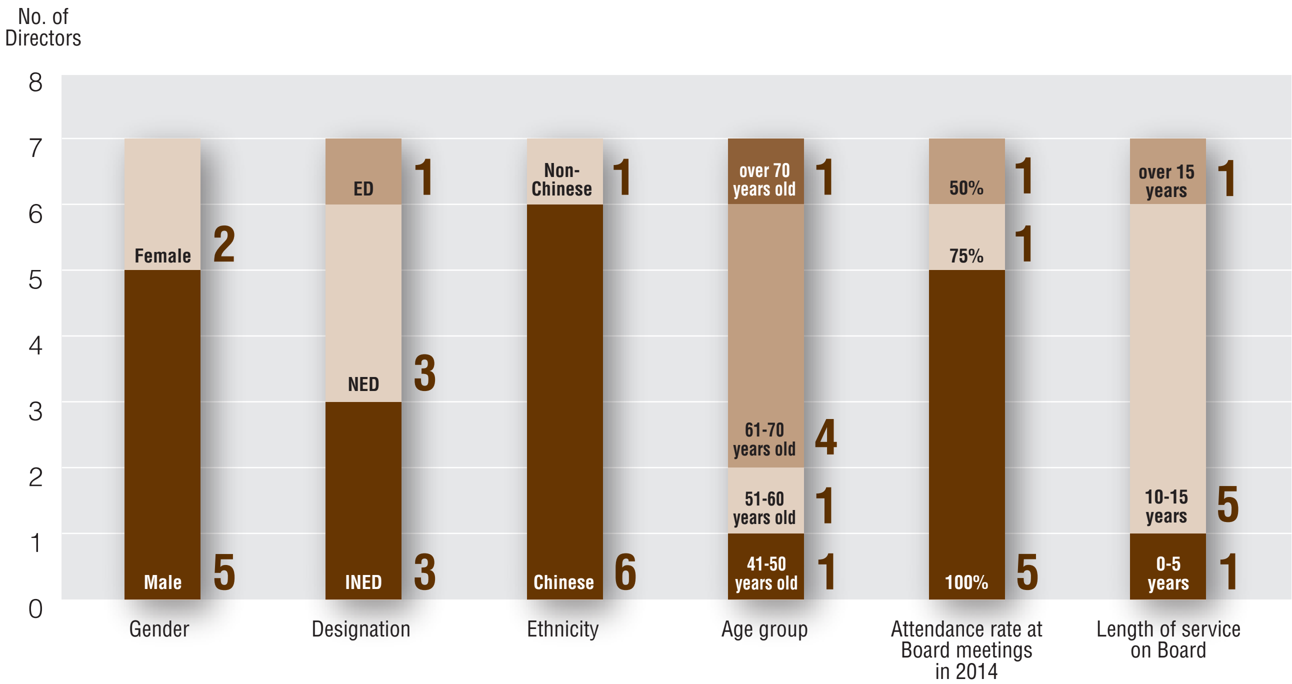
THE BOARD

Board composition

The Board currently comprises one Executive Director, Mr. WANG Kin Chung, Peter, who is also the Chairman and the Chief Executive Officer ("CEO") of the Company; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and three Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK and Mr. Peter TAN. Biographies of the Directors are set out in the "Directors' and Senior Management's Profiles" section of this Annual Report.

The Board annually reviews its structure, size and composition to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to implement the business strategy of the Group and in order for the Board to be effective.

The Board has adopted a board diversity policy with an aim to set out the approach to achieve diversity on the Board. Pursuant to the policy, Board diversity would be considered from a number of factors including, but not limited to, gender, age, ethnicity, cultural and education background, professional experience, skills and knowledge. An analysis of the current Board composition is set out in the following chart:



ED : Executive Director
NED : Non-Executive Director
INED : Independent Non-Executive Director

Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company and a Non-Executive Director, is the mother of Mr. WANG Kin Chung, Peter (the Chairman and the CEO), Ms. MAK WANG Wing Yee, Winnie (Non-Executive Director) and Dr. WANG Shui Chung, Patrick (Non-Executive Director).

All Directors are identified by category of Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in all corporate communications that disclose the names of Directors of the Company.

The Company maintains on its website and on the Stock Exchange's website an updated list of its Directors identifying their role and function.

Chairman and Chief Executive Officer

During the year ended 31 December 2014 and up to the date of this report, Mr. WANG Kin Chung, Peter is the Chairman and the CEO, and that the functions of the Chairman and the CEO in the Company's strategic planning and development process overlap. These constitute a deviation from Code Provision A.2.1 which stipulates that the roles of the Chairman and the CEO should be separate and should not be performed by the same individual.

Mr. WANG Kin Chung, Peter has been with the Group since 1999 and has considerable experience in the garment industry. He provides leadership for the Board in leading, considering and setting the overall strategic planning and business development of the Group. Given the current size of the Group and its present stage of development, the Board considers that it is in the interests of the Group that Mr. WANG Kin Chung, Peter holds both the offices of the Chairman and the CEO so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board in a timely manner on key issues and developments.

Given that there is a balanced Board with more than one-third of its members being Independent Non-Executive Directors, the Board is of the view that there is a strong independent element in the Board to exercise independent judgement and provide sufficient check and balance.

Appointment and election of Directors

The Company has not established a nomination committee owing to the small size of the Board. The Board as a whole shall perform the duties of a nomination committee set out in Code Provision A.5. This constitutes a deviation from Code Provision A.5 which stipulates that every listed company should establish a nomination committee.

Non-Executive Directors (including Independent Non-Executive Directors) are appointed for a specific term of three years commencing 1 January 2014, subject to re-election or earlier determination in accordance with the Bye-Laws of the Company and/or applicable laws and regulations.

All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. All Directors of the Company (save for any executive chairman and any managing director) shall be subject to retirement by rotation at least once every three years and that a Director may voluntarily retire. A retiring Director shall be eligible for re-election.

Accordingly, at the forthcoming annual general meeting of the Company to be held on 8 June 2015 (the "2015 AGM"), Mr. WANG Kin Chung, Peter will voluntarily retire for the purpose of compliance with Code Provision A.4.2, and Dr. WANG Shui Chung, Patrick and Mr. LO Kai Yiu, Anthony will retire by rotation and, being eligible, offer themselves for re-election as Directors in accordance with the Bye-Laws.

The Board has assessed the independence of Mr. LO Kai Yiu, Anthony who has been Independent Non-Executive Director of the Company for more than nine years and considers that he continues to be independent, notwithstanding the length of his tenure, in accordance with the guidelines of independence as set out in Rule 3.13 of the Listing Rules. The re-election of Mr. LO Kai Yiu, Anthony as Independent Non-Executive Director will be subject to a separate resolution to be approved by shareholders at the 2015 AGM.

Particulars of the aforesaid retiring Directors and the recommendation of the Board for their re-election are set out in a circular of the Company to be despatched to shareholders together with this Annual Report.

Roles and responsibilities

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs. The Directors take decisions objectively in the best interests of the Group.

The Board is mainly responsible for setting and approving the Company's strategic direction and planning all important matters including the preparation of interim and annual results, annual financial budget, and business and operation plans.

The Company has a formal schedule of matters specifically reserved for Board approval. Matters explicitly reserved for the Board's decision include, amongst other things, (i) the size, composition, structure and role of the Board and the Board committees, (ii) the suitability of any individual as a member of the Board or the Board committees, (iii) the appointment and removal of the CEO, (iv) monitoring the performance of the CEO to ensure the Group is in alignment with its strategic direction, and (v) the performance of corporate governance duties set out in Code Provision D.3.1. Responsibility for delivering the Company's objectives and running the business on a day-to-day basis is delegated to the Management.

Non-Executive Directors and Independent Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and Board committees meetings bring independent judgement and advice on issues relating to the Group's strategies, performance and management process, to ensure that the interests of all shareholders are taken into account and safeguarded.

A Non-Executive Director and two Independent Non-Executive Directors did not attend the annual general meeting held in year 2014 (the "2014 AGM") due to their other prior engagements. This constitutes a deviation from Code Provision A.6.7 which stipulates that Independent Non-Executive Directors and other Non-Executive Directors should attend general meetings.

The Board periodically reviews the Company's practices on corporate governance, compliance with the CG Code, training and continuous professional development of Directors and the disclosure in this report.

Independence of Non-Executive Directors

The Company has received from each of the three Independent Non-Executive Directors an annual confirmation of his independence and considers that each of the Independent Non-Executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

Induction and development

Every newly appointed Director of the Company would receive a comprehensive and tailored induction on appointment. Subsequently he would receive any briefing necessary to ensure that he has a proper understanding of the Group's operations and business and is fully aware of his responsibilities under statutes, the Listing Rules and other applicable legal and regulatory requirements.

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2014, the Directors participated in the following continuous professional development:

Directors	Types of training
Executive Director:	
Mr. WANG Kin Chung, Peter	A, C
Non-Executive Directors:	
Ms. WANG KOO Yik Chun	C
Ms. MAK WANG Wing Yee, Winnie	A, C
Dr. WANG Shui Chung, Patrick	A, B, C
Independent Non-Executive Directors:	
Mr. LO Kai Yiu, Anthony	A, C
Mr. James Christopher KRALIK	A, C
Mr. Peter TAN	A, C

A: attending seminars, conferences and/or briefings on directors' duties and corporate governance, regulatory updates, and financial and economic development
B: giving speech at seminars and/or conferences
C: reading regulatory updates, newspapers, journals, and other business, financial and economic publications

Board process

The Board requires Directors to devote sufficient time and attention to their duties and the Company's affairs. The Directors are also required to disclose to the Company annually the number and nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved.

The Board meets regularly and Board meetings are held at least four times a year at quarterly intervals. Dates of regular Board meetings are scheduled in the prior year to provide sufficient notice to give all Directors an opportunity to attend. In addition, notice of at least 14 days is given for each regular Board meeting and the Directors are given opportunity to include matters for discussion in the agenda.

For regular Board meetings, and as far as practicable in all other cases, an agenda and accompanying Board papers are sent, in full, to all Directors at least three days before the meeting date.

Minutes of the meetings of the Board and Board committees are kept by the Company Secretary. Draft and final versions of minutes are sent to all Directors for their comment and records respectively, within a reasonable time after the meeting is held.

The Directors, upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than a written resolution.

The Company has arranged directors' and officers' liability insurance in respect of any legal action against Directors.

Directors' attendance records

During the year ended 31 December 2014, four regular Board meetings have been held. The attendance of each Director at these Board meetings, Board committee meetings and the 2014 AGM is set out below:

	Number of meetings attended/held			
	Board	Audit Committee	Remuneration Committee	2014 AGM
Executive Director:				
Mr. WANG Kin Chung, Peter	4/4	N/A	N/A	1/1
Non-Executive Directors:				
Ms. WANG KOO Yik Chun	4/4	N/A	N/A	1/1
Ms. MAK WANG Wing Yee, Winnie	4/4	3/3	1/1	1/1
Dr. WANG Shui Chung, Patrick	2/4	N/A	N/A	0/1
Independent Non-Executive Directors:				
Mr. LO Kai Yiu, Anthony	4/4	3/3	1/1	1/1
Mr. James Christopher KRALIK	4/4	3/3	1/1	0/1
Mr. Peter TAN	3/4	N/A	1/1	0/1

N/A: Not applicable

DELEGATION BY THE BOARD

Board committees

Board committees would be formed with specific written terms of reference which deal clearly with their authority and duties.

The Board has established the Audit Committee and the Remuneration Committee with terms of reference including the specific duties set out in the Code Provisions with appropriate modifications where necessary.

Apart from the Audit Committee and the Remuneration Committee, the Board has also established a Share Option Committee which comprises an Executive Director and a Non-Executive Director to deal with the administration of the share option scheme of the Company.

The terms of reference of the Audit Committee and the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Audit committee

The Audit Committee is responsible for reviewing the Company's financial information and overseeing the Company's financial reporting system and internal control procedures.

A majority of the members of the Audit Committee are Independent Non-Executive Directors. During the year ended 31 December 2014 and up to the date of this report, the members of the Audit Committee are:

Non-Executive Director:
Ms. MAK WANG Wing Yee, Winnie

Independent Non-Executive Directors:
Mr. LO Kai Yiu, Anthony
Mr. James Christopher KRALIK

Mr. LO Kai Yiu, Anthony is the Chairman of the Audit Committee and has the professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

None of the three Audit Committee members is a former partner of the Company's external auditor.

The Audit Committee is provided with sufficient resources to perform its duties and has access to professional advice if necessary.

Upon recommendation of the Audit Committee, the Board has adopted a whistleblowing policy which provides a channel to employees of the Group to raise concerns, in confidence, about misconduct, malpractice or irregularities in any matters related to the Group. The policy is published on the website of the Company.

The attendance of each member at the Audit Committee meetings held during the year ended 31 December 2014 is set out in the "Directors' attendance records" section of this report.

During the year ended 31 December 2014, the Audit Committee held three meetings and the work performed is set out below:

(i) reviewed the 2014 annual budget and 2014 internal audit plan;

(ii) reviewed the draft annual report and audited financial statements of the Group for the year ended 31 December 2013 and recommended the same to the Board for approval;

(iii) made recommendation to the Board on the appointment of the external auditor at the 2014 AGM and considered the proposed external auditor's remuneration;

(iv) reviewed the draft interim report and unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 and recommended the same to the Board for approval;

(v) reviewed the audit service plan from the external auditor, reviewed their independence and discussed with them the nature and scope of audit for the year ended 31 December 2014 and their reporting obligations, considered and approved their terms of engagement;

(vi) reviewed the report on the annual review of internal control system and risk assessment, and periodic internal audit reports;

(vii) reviewed the whistleblowing policy operation manual and monitored the whistleblowing policy program throughout the year;

(viii) reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget;

(ix) reviewed the final report on the conclusion of the Hong Kong Inland Revenue Department tax audit; and

(x) reviewed compliance and regulatory issues.

At the Audit Committee meeting held on 30 March 2015, the Audit Committee considered a change of auditor and recommended to the Board, subject to shareholders' approval at the 2015 AGM, to appoint KPMG as the Company's external auditor to fill the vacancy following the retirement of PricewaterhouseCoopers ("PwC") at the conclusion of the 2015 AGM.

The Board agrees with the Audit Committee's proposal for the appointment of KPMG as the Company's external auditor for 2015.

Remuneration committee

The Remuneration Committee is responsible for making recommendations to the Board regarding the Company's remuneration policy. It has the delegated responsibility for the formulation, determination and review of the remuneration packages of Directors and Senior Management. No Director is involved in deciding his/her own remuneration.

A majority of the members of the Remuneration Committee are Independent Non-Executive Directors. During the year ended 31 December 2014 and up to the date of this report, the members of the Remuneration Committee are:

Non-Executive Director:
Ms. MAK WANG Wing Yee, Winnie

Independent Non-Executive Directors:
Mr. LO Kai Yiu, Anthony
Mr. James Christopher KRALIK
Mr. Peter TAN

Mr. James Christopher KRALIK is the Chairman of the Remuneration Committee.

The Remuneration Committee is provided with sufficient resources to perform its duties and has access to professional advice if necessary.

The attendance of each member at the Remuneration Committee meeting held during the year ended 31 December 2014 is set out in the "Directors' attendance records" section of this report.

During the year ended 31 December 2014, the Remuneration Committee held one meeting and the work performed is set out below:

(i) reviewed and approved the remuneration packages of the Directors and Senior Management;

(ii) reviewed and approved the recommendation to the Board on the grant of share options; and

(iii) made recommendation on the staff incentive program and succession planning.

Management functions

The day-to-day management of business of the Group is delegated to management. The Board has given clear directions to management on the matters that must be approved by it before decisions are made on the Company's behalf.

The Board has adopted the terms of reference of the Board and management to formalise the functions reserved to the Board and those delegated to management. The terms of reference are subject to periodic review to ensure that they remain appropriate to the Group's needs.

Management of the Group is aware that it has an obligation to supply the Board and its committees with adequate, complete and reliable information, in a timely manner, to enable them to make informed decisions. The Board and individual Director have separate and independent access to the Company's senior management. All Directors are entitled to have access to Board papers and related materials. Queries raised by Directors would receive a prompt and full response.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments payable to the Directors are determined at arm's length on the basis of the responsibilities involved, time devoted, current financial position of the Company and the prevailing market conditions. At the 2014 AGM, the shareholders approved the authorisation of the Directors to fix their remuneration.

The policy adopted for the remuneration of the Non-Executive Directors since 1 January 2012 is set out below:

(i) Annual director's fee for each Non-Executive Director — HK$45,000

(ii) Meeting attendance fees for each Non-Executive Director

	Column A (As Chairman/ Chairlady) *(Note 1)*	**Column B (As participating member)** *(Note 2)*
Fee for attending each Board meeting	HK$18,750	HK$18,750
Fee for attending each Audit Committee meeting	HK$37,500	HK$18,750
Fee for attending each Remuneration Committee meeting	HK$11,250	HK$11,250
Fee for attending each Board committee meeting	HK$30,000	HK$15,000
Fee for attending each independent Board committee meeting	HK$30,000	HK$15,000
Fee for attending each Share Option Committee meeting	HK$7,500	HK$7,500

Notes:

1. If a Director acts as the Chairman/Chairlady at the relevant meeting, he/she will be entitled to the fee set out under column A.

2. If a Director participates in the relevant meeting as a participating member (but he/she does not act as the Chairman/Chairlady), he/she will be entitled to the fee set out in column B.

At the Board Meeting of the Company held on 30 March 2015, the Board approved the recommendation of the Remuneration Committee for revision of the remuneration policy of the Non-Executive Directors with effect from 1 January 2015 as set out below:

(i) Annual director's fee for each Non-Executive Director — HK$49,500

(ii) Meeting attendance fees for each Non-Executive Director

	Column A (As Chairman/ Chairlady) *(Note 1)*	**Column B (As participating member)** *(Note 2)*
Fee for attending each Board meeting	HK$20,650	HK$20,650
Fee for attending each Audit Committee meeting	HK$41,300	HK$20,650
Fee for attending each Remuneration Committee meeting	HK$12,400	HK$12,400
Fee for attending each Board committee meeting	HK$33,000	HK$16,500
Fee for attending each independent Board committee meeting	HK$33,000	HK$16,500
Fee for attending each Share Option Committee meeting	HK$8,250	HK$8,250

Notes:

1. If a Director acts as the Chairman/Chairlady at the relevant meeting, he/she will be entitled to the fee set out under column A.

2. If a Director participates in the relevant meeting as a participating member (but he/she does not act as the Chairman/Chairlady), he/she will be entitled to the fee set out in column B.

The remunerations of members of Senior Management for the year ended 31 December 2014 are within the following bands:

	Number of individuals
Up to HK$2,000,000	2
HK$2,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$6,000,000	1
HK$18,000,001 to HK$20,000,000	1
	5

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

In addition, the Board has formally adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

ACCOUNTABILITY AND AUDIT

Financial reporting

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. Management provides the Board with monthly updates on the Group's performance and financial highlights.

The Directors acknowledge that they are responsible for preparing the accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flow for the year then ended. In preparing the accounts for the year ended 31 December 2014, the Directors have:

(i) selected appropriate accounting policies and applied them consistently;

(ii) made judgements and estimates that are prudent and reasonable; and

(iii) prepared the accounts on a going concern basis.

A statement by the Auditor about their reporting responsibilities is included in the Independent Auditor's Report on page 32.

Internal control

The Board recognises the importance of a sound and effective system of internal controls and risk management processes, and its overall responsibility for the integrity and reliability of the Group's financial reporting. A sound and effective system of internal controls has been designed to safeguard the shareholders' interests, protect the Group's assets against unauthorised use or disposition, maintain proper accounting records, ensure the reliability of financial information both for internal use and for publication, and monitor the compliance with applicable laws, rules and regulations.

The Board, through the Audit Committee, conducts reviews on the effectiveness of the system of internal controls for the year ended 31 December 2014 covering all material controls, including financial, operational, compliance controls and risk management functions.

The Group's internal control framework consists of the following essential components:

(i) An organisational and governance structure with well defined responsibility, proper segregation of duties and delegation of authority;

(ii) System and procedures to identify, measure and control risks including financial, operational, compliance risks that may have a significant impact on the Group and each business unit;

(iii) Controls on operational and financial budget, including regular variance analysis against budgets and key performance indicators; and controls on reliability of financial reporting including regular reviews and audits carried out on consolidated financial statements;

(iv) Internal procedures and controls for the handling and dissemination of inside information; and

(v) Whistleblowing mechanism to provide reliable channels for reporting suspected frauds or misconducts by all staff of the Group including senior management.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal controls of the Group and is not aware of any major issues of concern, and appropriate measures have been taken to address areas identified for improvement.

Both the Board and the Audit Committee have reviewed and are satisfied with the adequacy of resources, including staff qualifications and experience, training programmes and budget, of the Company's accounting and financial reporting function.

Internal audit function

The Group's internal controls are evaluated by the internal audit department independently on an on-going basis and covered all major operations of the Group on a rotational basis. The internal audit department adopted a risk-based approach to develop the annual audit plan, which is reviewed and approved by the Audit Committee. It furnishes independent and objective evaluations and recommendations in the form of an audit report to management. To preserve the independence of the internal audit department, the Head of Internal Audit has unrestricted direct access to the Audit Committee and reports directly to the Audit Committee.

Internal audit department plays a significant role in reviewing and evaluating the internal controls of the Group. During the year ended 31 December 2014, internal audit department executed the internal audit assignments according to the approved annual internal audit plan. These assignments included but not limited to:

- conducting independent, comprehensive and regular audits of financial, operational and compliance controls and risk management functions of the Group, including recommending areas of improvement and monitoring corrective or remedial measures taken by management;
- co-operating closely with human resources department to revisit the Group's code of conduct;
- overseeing the whistleblowing mechanism and conducting special investigation as appropriate; and
- conducting special reviews and investigations of areas of concern identified by the Board and the management.

The Head of Internal Audit reports to the Audit Committee on significant findings on internal controls, management responses and corrective measures executed by management in every Audit Committee meeting. During the year ended 31 December 2014, no significant control failure or significant areas of concern which might affect shareholders' interests were identified.

Auditors' remuneration

In 2014, remunerations paid to PwC, the Company's external auditor, and its associates in respect of audit and non-audit services provided to the Group are set out below:

	2014 ***HK$'000***
Annual audit fees	**4,148**
Tax services fees	**692**
Other services fees	**674**
Total	**5,514**

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed.

The Company Secretary is an employee of the Company and has taken over 15 hours of relevant professional training during the year ended 31 December 2014.

SHAREHOLDERS RELATION

Shareholders engagement and communication

The Board endeavors to maintain an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourages their participation.

At the 2014 AGM:

(i) A separate resolution was proposed and dealt with by poll vote in respect of each separate issue, including the re-election of Directors;

(ii) The Chairmen of the Board and the Audit Committee, members of the Remuneration Committee, and the external auditor of the Company attended to answer questions of the shareholders; and

(iii) Computershare Hong Kong Investor Services Limited, the Company's branch registrar and transfer office (the "Hong Kong Branch Registrar"), was engaged as scrutineer for the vote-taking.

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

The Board has adopted a shareholders communication policy which will be subject to periodic review to ensure its effectiveness. The policy is published on the website of the Company.

Shareholders' rights and investor relations

Shareholders of the Company may exercise the following rights in accordance with the procedures set out below. Such procedures are also published on the website of the Company.

1. Convening a Special General Meeting ("SGM")

Shareholders holding not less than one-tenth of the paid-up capital of the Company can deposit a written request to convene a SGM at the registered office of the Company or the Hong Kong Branch Registrar or the head office of the Company, for the attention of the Company Secretary.

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

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

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but the SGM so convened shall not be held after the expiration of three months from the said date.

The notice period to be given to all the registered shareholders for consideration of the proposal raised by the shareholders concerned at a SGM varies according to the nature of the proposal, as follows:

(i) fourteen days' or ten clear business days' notice in writing, whichever is the longer, if the proposal constitutes an ordinary resolution of the Company; or

(ii) twenty-one days' or ten clear business days' notice in writing, whichever is the longer, if the proposal constitutes a special resolution of the Company.

The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and inclusive of the day on which the meeting is to be held.

2. Putting forward proposals at general meetings

The number of shareholders required to move a resolution at general meetings by written request shall be:

(i) either any shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having the right to vote at the general meeting; or

(ii) not less than one hundred shareholders.

The written request must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at that meeting and signed by all the shareholders concerned and may consist of two or more copies which between them contain the signatures of all the shareholders concerned.

The written request must be deposited at the registered office of the Company or the Hong Kong Branch Registrar or the head office of the Company, for the attention of the Company Secretary not less than six weeks before the general meeting in case of a requisition requiring notice of a resolution, and not less than one week before the general meeting in the case of any other requisition.

The request will be verified with the Hong Kong Branch Registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the request has been verified as not in order or the shareholders concerned have failed to deposit reasonably sufficient money to meet the Company's expenses for the said purposes, the shareholders concerned will be advised of this outcome and accordingly, the proposed resolution or business will not be included in the agenda for the general meeting.

In accordance with Bye-Law 90, a shareholder may propose a person for election as a Director by lodging at the registered office of the Company or the Hong Kong Branch Registrar or the head office of the Company, a notice in writing signed by such shareholder (other than the person to be proposed), and also a notice in writing signed by the person to be proposed of his willingness to be elected. Such notice(s) must state the full name of the person proposed for election as a Director and include such person's biographical details as required by Rule 13.51(2) of the Listing Rules. The period for lodgement of such notices shall commence on (and include) the day after the date of despatch of the notice convening the general meeting appointed to consider such proposal and end on (and exclude) the date that is seven days before the date of such general meeting. Upon receipt of such notices, the Board will consider the suitability of the said person as a Director and will make recommendation to the shareholders for their consideration.

3. Sending enquiries to the Board

The Company values communication with shareholders and investors. Enquiries and suggestions to the Board are welcomed by addressing them to the Company Secretary:

(i) by mail to the Company's head office at 5th Floor, 66–72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong;

(ii) by telephone at (852) 2279-3888;

(iii) by fax at (852) 2423-5576; or

(iv) by e-mail to cosec@tristateww.com.

The 2015 AGM will be held at Room 5A, 5th Floor, 66–72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong on Monday, 8 June 2015 at 10:00 a.m. The notice of the 2015 AGM will be sent to all shareholders separately. The Chairmen of the Board, the Audit Committee and the Remuneration Committee or their delegates, as well as the external auditor of the Company will attend the 2015 AGM to answer questions from the shareholders.

The important dates to shareholders in year 2015 are as follows:

Book close date for determining eligibility to attend and vote at the 2015 AGM:	Friday, 5 June 2015 to Monday, 8 June 2015, both days inclusive
2015 AGM:	Monday, 8 June 2015
Book close date for determining entitlement to the proposed final dividend:	Friday, 12 June 2015 to Monday, 15 June 2015, both days inclusive
Expected payment date of proposed final dividend:	Monday, 22 June 2015

On behalf of the Board

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 30 March 2015

DIRECTORS

Executive Director

Mr. WANG Kin Chung, Peter, *BSc, MBA*, aged 61, became the Company's President and Chief Executive Officer in 1999 and redesignated as the Chairman and Chief Executive Officer of the Company since 2001. He is also the Chairman of the Share Option Committee of the Company and a director of certain subsidiaries of the Company. Mr. Wang has over 30 years of experience in the garment industry and is responsible for the overall strategic planning and business development of the Company. Mr. Wang obtained a BSc degree in Industrial Engineering from Purdue University in Indiana, USA and an MBA degree from Boston University, USA. He is a non-executive director and a member of the audit committee of Johnson Electric Holdings Limited and the chairman and managing director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand). Mr. Wang won the Young Industrialist Award of Hong Kong in 1998. In 2005, he received the Outstanding Industrial Engineer Award from the School of Industrial Engineering of Purdue University. He is a member of Anhui Provincial Committee of Chinese People's Political Consultative Conference, the honorary chairman of the Hong Kong Garment Manufacturers Association, a general committee member of the Textile Council of Hong Kong Limited, a director of The Federation of Hong Kong Garment Manufacturers and a committee vice chairman of The Anhui Fraternity Association (Hong Kong) Limited. Mr. Wang is a son of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a brother of Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Directors of the Company. He is a director of Silver Tree Holdings Inc. which is a substantial shareholder of the Company as disclosed in the "Substantial Shareholders" section of the Report of the Directors.

Non-Executive Directors

Ms. WANG KOO Yik Chun, aged 97, became Co-chairlady and Honorary Co-chairlady in 1999 and 2001 respectively and then redesignated as the Honorary Chairlady of the Company since 2002. She is the founder of Hwa Fuh Manufacturing Company (Hong Kong) Limited and its subsidiaries. She is also the honorary chairman and a non-executive director of Johnson Electric Holdings Limited, a former director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand), and a director of certain subsidiaries of the Company. Ms. Koo is the mother of Mr. WANG Kin Chung, Peter, the Chairman and Chief Executive Officer of the Company, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Directors of the Company.

Ms. MAK WANG Wing Yee, Winnie, *BSc*, aged 68, obtained her BSc degree from Ohio University, USA and became a Non-Executive Director of the Company in April 1999. She is also a member of the Audit Committee, the Remuneration Committee and the Share Option Committee of the Company. Ms. Wang is a director of two subsidiaries of the Company. She is also the vice chairman of Johnson Electric Holdings Limited. Ms. Wang is a daughter of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a sister of Mr. WANG Kin Chung, Peter, the Chairman and Chief Executive Officer of the Company, and Dr. WANG Shui Chung, Patrick, a Director of the Company.

Dr. WANG Shui Chung, Patrick, *JP, BSc, MSc*, aged 64, obtained his BSc and MSc degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. He became a Non-Executive Director of the Company in April 1999 and is a director of a subsidiary of the Company. Dr. Wang is the chairman and chief executive of Johnson Electric Holdings Limited, and an independent non-executive director of VTech Holdings Limited. Dr. Wang previously served as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, and the chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited. Dr. Wang is a son of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a brother of Mr. WANG Kin Chung, Peter, the Chairman and Chief Executive Officer of the Company, and Ms. MAK WANG Wing Yee, Winnie, a Director of the Company.

Independent Non-Executive Directors

Mr. LO Kai Yiu, Anthony, aged 66, joined the Company in June 1998 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lo is qualified as a chartered accountant with the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants. In addition to over 8 years of professional accounting experience, he has over 30 years of experience in investment banking and other financial services. He is the chairman of Shanghai Century Capital Limited and serves as an independent non-executive director of a number of listed public companies, including Convenience Retail Asia Limited, IDT International Limited, Lam Soon (Hong Kong) Limited, Playmates Holdings Limited and The Taiwan Fund, Inc.

Mr. James Christopher KRALIK, aged 49, was appointed as an Independent Non-Executive Director of the Company in April 2002. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Kralik is the managing director of Linden Street Capital Limited, a privately held investment company focused on Greater China-based investment opportunities. He previously served as the chief executive officer of VTech Telecommunications Limited, built and led a Hong Kong-based group of media and entertainment businesses, and was a management consultant with McKinsey & Company, Inc. Mr. Kralik is a graduate of Harvard College and the Harvard Business School.

Mr. Peter TAN, aged 59, was appointed as an Independent Non-Executive Director and a member of the Remuneration Committee of the Company in January 2011. He is an independent non-executive director of The Sincere Company, Limited. Mr. Tan is chief executive officer of Knowledge Universe Pte Ltd, a leading global private education organisation with a network of more than 3,000 locations worldwide. Before joining Knowledge Universe in 2013, Mr. Tan has more than 17 years' experience in the fast food industry. Mr. Tan was executive vice president and chief executive officer of Asia Pacific division of Burger King Corporation up to 2012. Before joining Burger King Corporation in 2005, Mr. Tan has served McDonald's Corporation for 10 years and was senior vice president and president of its Greater China division, responsible for strategic growth of the business and management of all key functions in the region. Prior to that, Mr. Tan was vice president of Citibank Singapore, Private Banking Group. He holds a BA degree in Accounting and Finance from the Washington State University, an MBA degree from the Kellogg School of Management at Northwestern University and is the chairman of the Kellogg Alumni Council (Asia).

SENIOR MANAGEMENT

Ms. AU King Lun, Paulina, *BA, MAppFin*, aged 45, joined the Company in August 2011 as the Chief Financial Officer and Company Secretary. She holds a bachelor degree in accountancy from The City University of Hong Kong and a master degree in applied finance from Macquarie University, Australia. She is a member of the Hong Kong Institute of Certified Public Accountants. In addition to over 5 years of professional accounting experience, Ms. Au has over 13 years of experience in finance and accounting in companies listed in the USA and Hong Kong.

Mr. Joshua Bruce PERLMAN, *BS*, aged 45, joined the Company in 2003 as Managing Director of the Retail and Wholesale division of the Company's wholly-owned subsidiary, 338 Fashion Co. Limited and was appointed as a director of 338 Fashion Co. Limited in 2005. 338 Fashion Co. Limited is the exclusive licensee for Nautica in the China, Hong Kong and Macau markets, a licensee of Jack Wolfskin in the Hong Kong and Macau markets, and the owner of the HASKI brand. Mr. Perlman has over 20 years of experience in China working with renowned consumer lifestyle brands. A graduate of both Tulane University and the Johns Hopkins University Center for Chinese and American Studies in Nanjing, Mr. Perlman is a native of New York City, USA, and is fluent in Mandarin, Chinese.

Ms. MA Jingyan, Jane, *MBA*, aged 42, joined the Company in 2001 and is currently the Managing Director of one of the Contract Manufacturing Business Units of the Group. She holds a master degree in business administration from Fordham University, New York. Ms. Ma has over 13 years of experience in the garment industry primarily on the marketing, sales and product development side for both UK and USA markets.

Ms. ZHANG Xiaofang, Phyllis, *MBA*, aged 41, joined the Company in 2002 as General Manager of a PRC subsidiary of the Company. She contributed to the establishment of the production compound in Hefei in 2007 and was responsible for the establishment of Tristate Management University of the Group in 2010. Ms. Zhang is currently the Managing Director of one of the Contract Manufacturing Business Units of the Group. Ms. Zhang holds a master degree in business administration from Peking University and has over 13 years of management experience in the garment industry.

Mr. YIP Soon Nam, SN, *BCom*, aged 62, joined the Company in 2014 as Executive Vice President – Operations, Corporate. He has over 30 years of experience in the apparel industry in Asia Pacific Region. Prior to joining the Company, Mr. Yip worked in TAL Group and Seagate Technology in senior management positions. Mr. Yip holds a bachelor degree in Commerce & Administration from Victoria University of Wellington, New Zealand. Mr. Yip is also a chartered accountant and a chartered company secretary.

The Board of Directors (the "Board") of Tristate Holdings Limited (the "Company") presents its report together with the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are (i) garment manufacturing, and (ii) branded product distribution, retail and trading.

An analysis of the Group's revenue and contribution to profit for the year by segment is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 33.

No interim dividend was paid for the six months ended 30 June 2014 (2013: Nil).

The Board recommends the payment of a final dividend of HK$0.06 per share, totalling HK$16,271,000 for the year ended 31 December 2014 (2013: HK$0.06 per share, totalling HK$16,247,000).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Monday, 8 June 2015 (the "2015 AGM"), is expected to be paid on Monday, 22 June 2015 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 15 June 2015, and for the purpose of determining the entitlements of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Friday, 12 June 2015 to Monday, 15 June 2015, both days inclusive.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2014 is set out on page 3.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2014 are set out in Note 19 to the consolidated financial statements.

ASSOCIATES

Particulars of the Group's interests in an associate are set out in Note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 34 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the reserves of the Company amounted to HK$446,064,000 (2013: HK$445,116,000) and retained earnings amounted to HK$321,081,000 (2013: HK$293,478,000); of which HK$752,101,000 (2013: HK$724,498,000) were available for distribution to equity holders of the Company as calculated in accordance with the Companies Act 1981 of Bermuda.

SHARE OPTIONS

The current share option scheme (the "2007 Share Option Scheme") was adopted by the Board on 2 April 2007 and was approved by the shareholders of the Company at the annual general meeting held on 6 June 2007 for granting of options to eligible persons to subscribe for shares of the Company.

The principal terms of the 2007 Share Option Scheme are summarised below:

Purpose	:	To attract and motivate high quality employees and officers of the members of the Group, to provide the participants who have been granted options under the 2007 Share Option Scheme to subscribe for shares of the Company with the opportunity to acquire proprietary interests in the Company, to encourage participants to work towards achieving certain performance targets in order to enhance the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and to retain participants who achieve such performance targets.
Participants	:	The employees and officers of any member (from time to time) of the Group including, without limitation, directors, senior vice presidents, factory general managers, vice presidents and other full-time employees of any member of the Group as determined by the Board from time to time.
Total number of shares available for issue and the percentage of the issued share capital that it represents as at the date of this report	:	26,873,525 shares representing 9.91% of the issued share capital of the Company as at the date of this report.
Maximum entitlement of each participant	:	Not exceeding 1% of the shares of the Company in issue in any 12 months period.
Period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Board at the time of grant. This period must expire no later than ten years from the relevant date of grant.
Minimum period for which an option must be held before it can be exercised	:	At the time of grant of the options, the Board may specify any minimum period(s) for which an option must be held before it can be exercised. The 2007 Share Option Scheme does not contain any such minimum period.
Amount payable on acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	:	HK$1.00 (or its equivalent), to be paid within ten business days from the date on which the letter containing the offer is issued to that participant.
Basis of determining the exercise price	:	The subscription price for the shares which are the subject of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be determined by the Board at the time the option is offered to the participant.
Remaining life of the 2007 Share Option Scheme	:	No options may be granted under the 2007 Share Option Scheme on or after the date of the tenth anniversary of the adoption of the 2007 Share Option Scheme.

Movement in the share options granted under the 2007 Share Option Scheme during the year and outstanding as at 31 December 2014 were as follows:

		Number of share options					
Date of grant	**Participant**	**At 01/01/2014**	**Granted during the year**	**Exercised during the year**	**At 31/12/2014**	**Exercise price per share**	**Exercisable period**
14/09/2009	Employees (in aggregate)	–	–	–	**–**	HK$1.45	14/09/2009 – 13/09/2014
		–	–	–	**–**	HK$1.45	14/09/2010 – 13/09/2014
		206,000	–	(206,000) *(Note 5)*	**–**	HK$1.45	14/09/2011 – 13/09/2014
		206,000	–	(206,000) *(Note 5)*	**–**	HK$1.45	14/09/2012 – 13/09/2014
21/06/2010	Employees (in aggregate)	66,000	–	–	**66,000**	HK$1.90	21/06/2010 – 20/06/2015
		66,000	–	–	**66,000**	HK$1.90	21/06/2011 – 20/06/2015
		122,000	–	–	**122,000**	HK$1.90	21/06/2012 – 20/06/2015
		162,000	–	–	**162,000**	HK$1.90	21/06/2013 – 20/06/2015
13/06/2011	Employees (in aggregate)	105,000	–	–	**105,000**	HK$4.01	13/06/2011 – 12/06/2016
		105,000	–	–	**105,000**	HK$4.01	13/06/2012 – 12/06/2016
		105,000	–	–	**105,000**	HK$4.01	13/06/2013 – 12/06/2016
		105,000	–	–	**105,000**	HK$4.01	13/06/2014 – 12/06/2016
18/06/2012	Employees (in aggregate)	80,000	–	–	**80,000**	HK$5.06	18/06/2012 – 17/06/2017
		80,000	–	–	**80,000**	HK$5.06	18/06/2013 – 17/06/2017
		80,000	–	–	**80,000**	HK$5.06	18/06/2014 – 17/06/2017
		80,000	–	–	**80,000**	HK$5.06	18/06/2015 – 17/06/2017
03/06/2013	Employees (in aggregate)	127,000	–	–	**127,000**	HK$3.92	03/06/2013 – 02/06/2018
		127,000	–	–	**127,000**	HK$3.92	03/06/2014 – 02/06/2018
		127,000	–	–	**127,000**	HK$3.92	03/06/2015 – 02/06/2018
		127,000	–	–	**127,000**	HK$3.92	03/06/2016 – 02/06/2018

Date of grant	Participant	Number of share options: At 01/01/2014	Granted during the year	Exercised during the year	At 31/12/2014	Exercise price per share	Exercisable period
09/06/2014 *(Notes 2 & 3)*	Employees (in aggregate)	–	144,000	–	**144,000**	HK$3.10	09/06/2014 – 08/06/2019
		–	144,000	–	**144,000**	HK$3.10	09/06/2015 – 08/06/2019
		–	144,000	–	**144,000**	HK$3.10	09/06/2016 – 08/06/2019
		–	144,000	–	**144,000**	HK$3.10	09/06/2017 – 08/06/2019
	Total	2,076,000	576,000	(412,000)	**2,240,000**		

Notes:

1. The above options vest in four equal tranches over a period of three years from the relevant date of grant.

2. The Company received a total consideration of HK$3.00 from the grantees for the options granted during the year.

3. The closing price of the shares of the Company on 6 June 2014, i.e. the business day immediately before the date on which the options were granted during the year, as quoted on the Stock Exchange, was HK$3.08.

4. No options had been lapsed or cancelled during the year.

5. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$3.10.

Other details of the share options granted under the 2007 Share Option Scheme are set out in Note 36 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in Note 30 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$133,000.

DIRECTORS

The directors of the Company (the "Directors") who held office during the year and up to the date of this report are:

Executive Director:
Mr. WANG Kin Chung, Peter
(Chairman and Chief Executive Officer)

Non-Executive Directors:
Ms. WANG KOO Yik Chun
(Honorary Chairlady)
Ms. MAK WANG Wing Yee, Winnie
Dr. WANG Shui Chung, Patrick

Independent Non-Executive Directors:
Mr. LO Kai Yiu, Anthony
Mr. James Christopher KRALIK
Mr. Peter TAN

For compliance with Code Provision A.4.2 set out in the Corporate Governance Code of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and in accordance with Bye-Laws 85 and 86 of the Company's Bye-Laws, Mr. WANG Kin Chung, Peter will voluntarily retire and Dr. WANG Shui Chung, Patrick and Mr. LO Kai Yiu, Anthony will retire by rotation and, being eligible, offer themselves for re-election as Directors at the 2015 AGM.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence and considers that each of the Independent Non-Executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and the Senior Management of the Group as at the date of this report are set out on pages 22 to 23.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company 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 (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules, were as follows:

Interests in shares of the Company

		Number of shares held			
Name of Director	**Long/short position**	**Through spouse or minor children**	**Through controlled corporation(s)**	**Total**	**Approximate percentage of issued share capital**
Mr. WANG Kin Chung, Peter	Long position	3,212,000 *(Note 1)*	182,442,000 *(Note 2)*	185,654,000	68.46%

Interests in shares of Hua Thai Manufacturing Public Company Limited ("Hua Thai")

			Number of shares held		
Name of Director	**Long/short position**	**Class**	**Through spouse or minor children**	**Total**	**Approximate percentage of issued share capital**
Ms. WANG KOO Yik Chun	Long position	Ordinary share	2,500 *(Note 3)*	2,500	0.03%

Notes:

1. 3,212,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.

2. 182,442,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly owned by Mr. WANG Kin Chung, Peter.

3. 2,500 shares in Hua Thai were held by the late Mr. WANG Seng Liang, the spouse of Ms. WANG KOO Yik Chun.

Save as disclosed above, as at 31 December 2014, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Options" section in this report and in Note 36 to the consolidated financial statements, at no time during the year was the Company, its subsidiaries, its holding company or the subsidiaries of its holding company, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2015 AGM has a service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transaction" in this report, no contract of significance to which the Company or any of its subsidiaries was a party and in which any of the Company's Director or controlling shareholder or its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2014, none of the Directors had any interest in business apart from the Group's businesses which competed, or was likely to compete, either directly or indirectly, with the Group's businesses under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

		Number of shares held			
Name of shareholder	**Long/short position**	**Directly beneficially owned**	**Through spouse or minor children**	**Total**	**Approximate percentage of issued share capital**
Ms. Daisy TING	Long position	3,212,000	182,442,000 *(Note)*	185,654,000	68.46%
Silver Tree Holdings Inc.	Long position	182,442,000 *(Note)*	–	182,442,000	67.27%

Note:

182,442,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly owned by Mr. WANG Kin Chung, Peter. Since Ms. Daisy TING is the spouse of Mr. WANG Kin Chung, Peter, she is deemed to be interested in the shares controlled by Mr. WANG Kin Chung, Peter under Part XV of the SFO.

Save as disclosed above, as at 31 December 2014, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

EMOLUMENT POLICY

The Group provides competitive compensation and benefits for its employees, including group personal accident insurance, retirement and medical benefit schemes.

Remuneration packages are generally structured by reference to market and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Those employees with outstanding performance are also awarded discretionary bonuses and share options.

Emolument policy is reviewed regularly by the Board and by the Remuneration Committee in respect of the Directors and Senior Management. The emoluments payable to the Directors are determined at arm's length on the basis of responsibilities involved, time devoted, current financial position of the Company and the prevailing market conditions.

Details of the emoluments of the Directors for the year ended 31 December 2014 are set out in Note 15 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in Note 31 to the consolidated financial statements.

MANAGEMENT CONTRACT

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales attributable to the Group's largest customer and the five largest customers combined were 11% and 40%, respectively.

The aggregate purchases attributable to the Group's five largest suppliers taken together were less than 30% of the Group's total purchases for the year.

None of the Directors, their close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had, at any time during the year, a beneficial interest in any of the Group's five largest customers.

CONTINUING CONNECTED TRANSACTION

On 17 January 2013, Hwa Fuh Manufacturing Company (Hong Kong) Limited ("Hwa Fuh"), a wholly-owned subsidiary of the Company, as tenant, entered into a tenancy agreement (the "Tenancy Agreement") with TDB Company Limited ("TDB"), as landlord, in relation to the leasing of the premises at Ground and 2nd to 11th Floors, Tak Dah Industrial Building, 66–72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the "Premises") for a term of two years from 1 April 2013 to 31 March 2015.

As at the date of the Tenancy Agreement, the entire issued share capital of TDB was held by a discretionary trust of which Mr. WANG Kin Chung, Peter and Ms. WANG KOO Yik Chun, both being Directors, were eligible beneficiaries. TDB was therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the entering into of the Tenancy Agreement constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules (the "Continuing Connected Transaction").

Details of the Tenancy Agreement were as follows:

Term	:	Two years from 1 April 2013 to 31 March 2015
Monthly rent	:	HK$600,000 (excluding management fees, government rates and government rent)
Use of the Premises	:	As factory, storage and ancillary office by the Company and certain of its subsidiaries

The annual rent (the "Annual Cap") paid or payable by Hwa Fuh under the Tenancy Agreement for each of the three financial years ending 31 December 2015 was as follows:

Term	**Annual Cap** *HK$*
1 April 2013 to 31 December 2013	5,400,000
1 January 2014 to 31 December 2014	7,200,000
1 January 2015 to 31 March 2015	1,800,000

The terms of the Tenancy Agreement were arrived at after arm's length negotiations between Hwa Fuh and TDB and on the basis of the valuation made by an independent property valuer which opined that the terms (including the rent) were fair and reasonable by reference to comparable rental transactions and offerings as available in the market with similar age, size, use and attributes.

Further details of the Continuing Connected Transaction were set out in the announcement of the Company dated 17 January 2013.

The Independent Non-Executive Directors have reviewed the Continuing Connected Transaction and confirmed that during the year such transaction has been entered into:

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

(ii) on normal commercial terms; and

(iii) in accordance with the Tenancy Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transaction 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 a letter containing findings and conclusion in respect of the Continuing Connected Transaction disclosed on page 30 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 38 to the consolidated financial statements.

The tenancy agreement under Note 38(a) constituted a continuing connected transaction for the Company under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The cash advance under Note 38(c)(ii) constituted a connected transaction but was exempt from the disclosure requirements under the Listing Rules.

The remaining related party transactions under Notes 38(b) and 38(c)(i) were not connected transactions under the Listing Rules.

DISPOSAL OF A SUBSIDIARY

Details of the disposal of a subsidiary in China are set out in Note 6 to the consolidated financial statements.

DISPOSAL OF FREEHOLD LAND AND BUILDING

Details of the disposal of an office property in Taiwan are set out in Note 7 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws and there are no restrictions against such rights under the laws of Bermuda (being the jurisdiction in which the Company was incorporated).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year and up to the date of this report.

CORPORATE GOVERNANCE CODE

For the year ended 31 December 2014, the Company has complied with all the Code Provisions set out in the Corporate Governance Code of the Listing Rules, except for the deviation from Code Provisions A.2.1, A.5 and A.6.7.

Considered reasons for the deviation from Code Provisions A.2.1, A.5 and A.6.7 as well as further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 21.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers.

On behalf of the Board

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 30 March 2015

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
TRISTATE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tristate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 84, 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 statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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.

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, 30 March 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

	Note	2014 *HK$'000*	2013 *HK$'000*
Revenue	5	**3,580,029**	3,599,903
Cost of sales		**(2,488,627)**	(2,492,732)
Gross profit		**1,091,402**	1,107,171
Other income and other gains	5	**10,039**	6,212
Selling and distribution expenses		**(381,579)**	(404,313)
General and administrative expenses		**(622,659)**	(573,896)
Net gain on disposal of a subsidiary	6	**137,272**	–
Net gain on disposal of freehold land and building	7	**30,172**	–
Impairment of goodwill	20	**(20,893)**	–
Restructuring costs	6	**(9,270)**	(46,597)
Profit from operations	8	**234,484**	88,577
Finance income	9	**14,741**	12,649
Finance costs	9	**(12,686)**	(12,684)
Profit before income tax		**236,539**	88,542
Income tax expense	10	**(88,241)**	(45,139)
Profit for the year		**148,298**	43,403
Attributable to:			
Equity holders of the Company	11	**148,277**	43,439
Non-controlling interests		**21**	(36)
		148,298	43,403
Earnings per share attributable to equity holders of the Company:			
Basic	13	**HK$0.55**	HK$0.16
Diluted	13	**HK$0.55**	HK$0.16

The accompanying notes form an integral part of these consolidated financial statements.

		HK$'000	*HK$'000*
Dividends	12	**16,271**	16,247

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**148,298**	43,403
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Fair value (losses)/gains on cash flow hedges		
(Losses)/gains arising during the year	**(36,651)**	17,208
Transferred to and included in the following line items in the consolidated income statement:		
Cost of sales	**391**	(1,727)
General and administrative expenses	**7,576**	(3,001)
Currency translation differences		
(Losses)/gains arising during the year	**(8,903)**	22,072
Transferred from translation reserve to the consolidated income statement upon disposal of a subsidiary	**3,742**	–
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	**(3,878)**	1,360
Income tax effect	**872**	(208)
Other comprehensive income, net of tax	**(36,851)**	35,704
Total comprehensive income for the year	**111,447**	79,107
Attributable to:		
Equity holders of the Company	**111,426**	79,143
Non-controlling interests	**21**	(36)
	111,447	79,107

The accompanying notes form an integral part of these consolidated financial statements.

	Note	**As at 31 December 2014 HK$'000**	As at 31 December 2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**478,432**	526,115
Leasehold land and land use rights	18	**161,486**	173,096
Intangible assets	20	**94,528**	178,678
Other long-term assets	21	**24,240**	28,260
Deferred income tax assets	33	**33,777**	45,118
Defined benefit plan assets	31	**7,080**	12,211
Forward foreign exchange contracts	25	**3,389**	12,188
Investment in an associate	22	**–**	–
		802,932	975,666
CURRENT ASSETS			
Inventories	23	**580,122**	498,540
Accounts receivable and bills receivable	24	**456,164**	416,822
Forward foreign exchange contracts	25	**794**	2,836
Prepayments and other receivables	26	**280,836**	150,473
Cash and bank balances	27	**723,444**	692,927
		2,041,360	1,761,598
CURRENT LIABILITIES			
Accounts payable and bills payable	28	**174,832**	170,497
Accruals and other payables	29	**500,745**	491,210
Forward foreign exchange contracts	25	**5,370**	–
Current income tax liabilities		**50,943**	43,664
Bank borrowings	30	**443,800**	403,753
		1,175,690	1,109,124
NET CURRENT ASSETS		**865,670**	652,474
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,668,602**	1,628,140
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations	31	**19,998**	21,313
License fees payable	32	**24,380**	93,729
Deferred income tax liabilities	33	**58,780**	56,316
Forward foreign exchange contracts	25	**12,473**	–
		115,631	171,358
NET ASSETS		**1,552,971**	1,456,782
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**27,119**	27,078
Reserves	35	**1,525,516**	1,429,389
		1,552,635	1,456,467
Non-controlling interests		**336**	315
TOTAL EQUITY		**1,552,971**	1,456,782

Approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

WANG Kin Chung, Peter
Director

MAK WANG Wing Yee, Winnie
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**1,516**	763
Investments in subsidiaries	19(a)	**473,946**	473,554
Other long-term assets	21	**–**	1,514
Deferred income tax assets	33	**–**	167
		475,462	475,998
CURRENT ASSETS			
Amounts due from subsidiaries	19(b)	**406,335**	393,380
Prepayments and other receivables	26	**504**	790
Cash and bank balances	27	**4,068**	2,579
		410,907	396,749
CURRENT LIABILITIES			
Accruals and other payables		**12,139**	10,144
Amounts due to subsidiaries	19(b)	**79,956**	96,931
		92,095	107,075
NET CURRENT ASSETS		**318,812**	289,674
TOTAL ASSETS LESS CURRENT LIABILITIES		**794,274**	765,672
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	33	**10**	–
NET ASSETS		**794,264**	765,672
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**27,119**	27,078
Reserves	35	**767,145**	738,594
TOTAL EQUITY		**794,264**	765,672

Approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

WANG Kin Chung, Peter
Director

MAK WANG Wing Yee, Winnie
Director

The accompanying notes form an integral part of these financial statements.

	Attributable to equity holders of the Company				
	Share capital	**Reserves**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 1 January 2014	**27,078**	**1,429,389**	**1,456,467**	**315**	**1,456,782**
Profit for the year	**–**	**148,277**	**148,277**	**21**	**148,298**
Other comprehensive income, net of tax	**–**	**(36,851)**	**(36,851)**	**–**	**(36,851)**
Share option scheme – value of employee services	**–**	**392**	**392**	**–**	**392**
Shares issued during the year	**41**	**556**	**597**	**–**	**597**
Dividends paid to equity holders of the Company	**–**	**(16,247)**	**(16,247)**	**–**	**(16,247)**
As at 31 December 2014	**27,119**	**1,525,516**	**1,552,635**	**336**	**1,552,971**

	Attributable to equity holders of the Company				
	Share capital	Reserves	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2013	27,037	1,373,495	1,400,532	351	1,400,883
Profit for the year	–	43,439	43,439	(36)	43,403
Other comprehensive income, net of tax	–	35,704	35,704	–	35,704
Share option scheme – value of employee services	–	400	400	–	400
Shares issued during the year	41	691	732	–	732
Dividends paid to equity holders of the Company	–	(24,340)	(24,340)	–	(24,340)
As at 31 December 2013	27,078	1,429,389	1,456,467	315	1,456,782

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Cash generated from operations	39(a)	**147,687**	201,851
Income tax paid		**(66,317)**	(58,456)
Income tax refund		**231**	1,974
Purchases of tax reserve certificates		**–**	(62)
Net cash generated from operating activities		**81,601**	145,307
Investing activities			
Interest received		**14,741**	12,649
Payment of license fees		**(60,797)**	(46,832)
Purchases of property, plant and equipment		**(54,170)**	(75,308)
Proceeds from disposals of property, plant and equipment	39(c) & (d)	**35,554**	1,487
Cash and cash equivalents disposed upon disposal of a subsidiary	39(b)	**(339)**	–
Increase in short-term bank deposits, with maturities over 3 months		**(204,334)**	(670)
Decrease/(increase) in bank structured deposits		**3,403**	(2,084)
Net cash used in investing activities		**(265,942)**	(110,758)
Financing activities			
Interest paid		**(8,152)**	(6,844)
Dividends paid to equity holders of the Company		**(16,247)**	(24,340)
New bank borrowings		**2,345,684**	1,376,042
Repayment of bank borrowings		**(2,305,637)**	(1,265,883)
Proceeds from shares issued upon exercise of share options		**597**	732
Net cash generated from financing activities		**16,245**	79,707
(Decrease)/increase in cash and cash equivalents		**(168,096)**	114,256
Cash and cash equivalents at beginning of the year	27	**623,573**	494,690
Effect on foreign exchange rate changes		**(2,318)**	14,627
Cash and cash equivalents at end of the year	27	**453,159**	623,573

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Tristate Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The address of its head office and principal place of business in Hong Kong is 5th Floor, 66–72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (together, the "Group") are (i) garment manufacturing, and (ii) branded product distribution, retail and trading.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1988.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company (the "Board") on 30 March 2015.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and 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.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by stating certain derivative financial instruments at fair values.

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.

Amendments to existing standards effective in 2014

In 2014, the Group has adopted the following amendments to existing standards that are effective for the first time for the Group's financial year beginning 1 January 2014 and are relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

HKAS 32 (Amendment), 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'. This amendment is to the application guidance in HKAS 32 and clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The adoption of this amendment has had no impact on the consolidated financial statements.

HKAS 36 (Amendment), 'Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets. The Group has made the required disclosures in relation to the impaired goodwill in the consolidated financial statements.

HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting'. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The adoption of this amendment has had no impact on the consolidated financial statements.

New standards and amendments to existing standards that are not effective and have not been early adopted by the Group

The following new standards and amendments to existing standards relevant to the Group have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group:

Amendment to HKAS 1, 'Presentation of Financial Statements – Disclosure Initiative' (2)

Amendments to HKAS 16, 'Property, Plant and Equipment' and HKAS 38, 'Intangible Assets' on Clarification of Acceptable Methods of Depreciation and Amortisation (2)

Amendment to HKAS 19 (2011), 'Employee Benefits – Defined Benefit Plans: Employee Contributions' (1)

Amendments to HKAS 28 (2011), 'Investments in Associates and Joint Ventures' and HKFRS 10, 'Consolidated Financial Statements' on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (2)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

New standards and amendments to existing standards that are not effective and have not been early adopted by the Group (Continued)

Amendment to HKAS 27 (2011), 'Separate Financial Statements – Equity Methods in Separate Financial Statements' (2)

HKFRS 9 (2014), 'Financial Instruments' (4)

HKFRS 15, 'Revenue from Contracts with Customers' (3)

Annual Improvements to HKFRSs 2010-2012 Cycle (1)

Annual Improvements to HKFRSs 2011-2013 Cycle (1)

Annual Improvements to HKFRSs 2012-2014 Cycle (2)

(1) Effective for the Group for annual periods beginning on or after 1 July 2014.

(2) Effective for the Group for annual periods beginning on or after 1 January 2016.

(3) Effective for the Group for annual periods beginning on or after 1 January 2017.

(4) Effective for the Group for annual periods beginning on or after 1 January 2018.

The Group is in the process of making an assessment on the impact of these new standards and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position taken as a whole. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

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 effect 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.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate 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. Acquisition-related costs are expensed as incurred.

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.

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 consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. The financial information of subsidiaries has been changed where necessary to ensure consistency with the policies adopted by the Group.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(ii) Changes in ownership interests in subsidiaries

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.

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 consolidated income statement. 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 the consolidated income statement.

(iii) Separate financial statements

Investments in subsidiaries are accounted for by the Company 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 dividends received and receivable.

(c) 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 investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated 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 investments. When the Group's share of losses in the associates equals or exceeds its interests in the associates, 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 associates.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates 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 has been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to consolidated income statement where appropriate.

(d) Foreign currency translation

(i) 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, which is the Company's functional and the Group's presentation currency.

(ii) 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 when items are re-measured. 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 consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the Group's 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:

- 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;
- 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 rates on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is disposed of or partially disposed of, exchange differences accumulated in other comprehensive income in respect of that operation are recognised in the consolidated income statement as part of the gain or loss on sale.

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.

(e) Property, plant and equipment

Interests in freehold land are stated at historical cost and not depreciated. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical costs include expenditures that are directly attributable to the acquisition of the items.

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 consolidated income statement during the financial period in which they are incurred.

Interests in leasehold land classified as finance leases commence amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance leases and depreciation on other assets are calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land interests classified as finance leases	Shorter of the useful life or the lease term of 10 to 50 years
Buildings	2% – 10%
Plant and machinery	10% – 33%
Leasehold improvements, furniture, fixtures and equipment	4% – 33%
Motor vehicles	14% – 20%

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.

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

(f) Leasehold land interests and land use rights

Leasehold land interests and land use rights are classified as either finance or operating leases depending upon whether the lease transfers substantially all the risks and rewards incidental to its ownership to the Group.

When the interests are classified as operating leases, the premiums paid to acquire leasehold land and land use rights are recorded as prepayment for operating lease, and are amortised on a straight-line basis over the period of the leases and land use rights. Where there is impairment, the impairment is expensed immediately in the consolidated income statement.

When the interests are classified as finance leases and held for own use, the land interest is accounted for as property, plant and equipment (Note 2(e)).

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of aggregate 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 identified net assets acquired.

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 impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of a CGU containing the 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.

(ii) License rights/License fees payable

License rights on branded products are stated at cost less accumulated amortisation and accumulated impairment losses, if any. License rights are initially measured as the fair value of the consideration given for the recognition of the license rights at the time of their inception. The consideration given is determined based on the capitalisation of the minimum license fee payments in accordance with the license agreements. License rights are amortised over the license period on the basis that reflects the pattern in which the license's future economic benefits are expected to be consumed by the Group.

License fees payable in respect of the inception of the license rights are initially recognised at fair value of the consideration given for the recognition of the license rights at the time of the inception, which represents present values of the contractual minimum payments that can be reliably estimated at the time of the inception. They are subsequently stated at amortised cost using the effective interest method.

The increase in the license fees payable due to passage of time is recognised within finance costs in the consolidated income statement.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the specific identification method or first-in, first-out method for inventories of garment manufacturing segment (depending on type of inventories) and the weighted average method for inventories of branded product distribution, retail and trading segment. The cost of finished goods and work-in-progress comprises raw materials, direct labour and related production overheads. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Accounts receivable and bills receivable

Accounts receivable and bills receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts receivable and bills receivable are 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.

Accounts receivable and bills receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(k) Financial assets

The Group classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss and (ii) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Regular way purchases and sales of financial assets are recognised on the settlement date – the date on which the Group makes payment to purchase or sell the assets. 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 all risks and rewards of ownership. Management determines the classification of its financial assets on initial recognition and re-evaluates this designation at the end of each reporting period.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(i) Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss at inception are acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this sub-category are classified as current assets if they are expected to be realised within 12 months; otherwise, they are classified as non-current assets.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. They are subsequently stated at fair value.

Realised and unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated income statement in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(ii) 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, unless maturity is greater than 12 months after the end of the reporting period, in which case they are classified as non-current assets. Loans and receivables comprise accounts and bills receivable, deposits and other receivables, and cash and bank balances in the consolidated statement of financial position.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Interest on loans and receivables calculated using the effective interest method is recognised in the consolidated income statement as part of finance income.

(l) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other income and other gains/(losses).

Amounts accumulated in equity are recycled to the consolidated income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of plant and equipment.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Derivative financial instruments and hedging activities (Continued)

(i) Cash flow hedge (Continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within other income and other gains/(losses).

(ii) Net investment hedge

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement.

Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is partially disposed of or sold.

(iii) Derivative accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within other income and other gains/(losses).

An embedded derivative is separated from the host contract and accounted for as a derivative at fair value at initial recognition and subsequently if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the entire hybrid (combined) instrument is not designated as at fair value through profit or loss.

When an embedded derivative is separated, the host contract shall be accounted for as a financial instrument according to Notes 2(k)(i) and 2(k)(ii), if applicable.

(m) Accounts payable and bills payable

Accounts payable and bills payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and bills payable 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.

(n) 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 interest rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(o) Employee benefits

(i) 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 each reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group maintains a number of defined benefit and defined contribution plans in the countries in which it operates, the assets of the retirement benefit are generally held in separate trustees-administered funds. The retirement plans are generally funded by payments from employees and by the Group and, where applicable, taking into account of the recommendations of qualified actuaries.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(ii) Retirement benefits (Continued)

For defined contribution plans, 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 expense when they are due.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plans, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in consolidated income statements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(iii) Share-based compensation

The Group operates a share-based compensation plan, under which the entity receives services from employees as consideration for share options of the Company. 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 and excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and years of service of employees). Non-market performance and service 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 of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(p) Current and deferred income taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company and its 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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Current and deferred income taxes (Continued)

The Group recognises tax liabilities for anticipated tax audit issues based on a single best estimate of the most likely outcome approach. Estimated settlement cost such as penalty, where applicable, are recognised under accruals and other payables in the consolidated statement of financial position and general and administrative expenses in the consolidated income statement.

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, 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 at the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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 tax 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 balances on a net basis.

(q) Borrowings and borrowing costs

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

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

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and commission income in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

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 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.

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Commission income is recognised when services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(s) Leases (as lessee)

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 consolidated income statement on a straight-line basis over the period of the lease.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of investments in subsidiaries, investments in associates and non-financial assets

Assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested annually for impairment. All other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

An impairment loss is recognised for the amount by which an 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

(u) Impairment of financial 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 a 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 a debtor 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 category, 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.

(v) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's equity holders.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified collectively as the Chief Executive Officer and the Senior Management who make strategic decisions.

(x) Contingent liabilities and contingent assets

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 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 notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, it will then be recognised as a provision.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Contingent liabilities and contingent assets (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, it will then be recognised as an asset.

(y) 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 net of tax, from the proceeds.

(z) Financial guarantees

A financial guarantee (a type of insurance contract) is a contract that requires 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 original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at the end of each reporting period 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 consolidated income statement immediately.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and bank balances, accounts receivable and bills receivable, other receivables, forward foreign exchange contracts, long-term rental deposits, deposits with a financial institution, accounts payable and bills payable, accruals and other payables, bank borrowings and license fees payable.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), liquidity risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions, recognised assets, liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is thus exposed to foreign exchange risk arising from various currency exposures. The Group manages significant foreign exchange risk against the respective subsidiaries' functional currencies arising from future commercial transactions, recognised assets, liabilities and net investment in foreign operations principally by means of forward foreign exchange contracts.

For the year ended 31 December 2014, sales of goods were mainly denominated in United States dollars and Renminbi. The major currencies for purchases were United States dollars, Renminbi and Euro. In addition, entities within the Group (whose functional currencies are Renminbi, Philippine Pesos, Thai Bahts and Vietnam Dongs) have monetary assets and liabilities denominated in Hong Kong dollars and United States dollars.

The Group has entered into forward foreign exchange contracts to hedge against foreign exchange exposures arising from United States dollars denominated processing income for factories in the People's Republic of China ("PRC") and from Euro for payments to suppliers.

At 31 December 2014, if Renminbi against Hong Kong dollars had strengthened/weakened by 2% with all other variables held constant, the post-tax profit for the year would be increased/decreased by HK$3,822,000 mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated net monetary assets of a Hong Kong subsidiary; while the other comprehensive income would be increased/decreased by HK$15,852,000, representing the impact of the change in fair value of forward foreign exchange contracts at the end of the reporting period.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 December 2014, if Euro against Hong Kong dollars had strengthened/weakened by 6% with all other variables held constant, the post-tax profit for the year would be decreased/increased by HK$4,759,000 mainly as a result of foreign exchange losses/gains on translation of Euro denominated liabilities. Subsequent to the year end, the Group had entered into forward foreign exchange contracts to hedge the Euro exchange risk.

If Pound Sterling, Philippine Pesos, Thai Bahts and Vietnam Dongs had strengthened/weakened against Hong Kong dollars by 3% at the year end date with all other variables held constant, the impact on post-tax profit for the year would not be significant.

(ii) Cash flow and fair value interest rate risk

The Group's cash flow and fair value interest rate risk primarily relates to bank balances and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Bank balances carried at prevailing market interest rate expose the Group to fair value interest rate risk. Management of the Group monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

At 31 December 2014, if interest rates on borrowings and bank balances had increased/decreased by 25 basis points with all other variables held constant, the impact on post-tax profit for the year would not be significant.

Management considers the fair value interest rate risk related to borrowings is insignificant.

(b) Liquidity risk

The Group has been prudent in liquidity risk management by maintaining sufficient cash and the availability of sufficient funding through an adequate amount of committed credit facilities from the Group's bankers.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The cash flow requirements for derivative financial instrument arising from forward foreign exchange contracts are separately provided as the contractual maturities are essential for the understanding of the timing of the cash flows.

Group

	Less than 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**Total** *HK$'000*
At 31 December 2014				
Accounts payable and bills payable	**174,832**	**–**	**–**	**174,832**
Accruals and other payables	**367,669**	**–**	**–**	**367,669**
Bank borrowings and interest payments	**444,090**	**–**	**–**	**444,090**
License fees payable	**66,104**	**27,412**	**–**	**93,516**
	1,052,695	**27,412**	**–**	**1,080,107**

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Total *HK$'000*
At 31 December 2013				
Accounts payable and bills payable	170,497	–	–	170,497
Accruals and other payables	352,347	–	–	352,347
Bank borrowings and interest payments	403,985	–	–	403,985
License fees payable	62,534	72,426	29,059	164,019
	989,363	72,426	29,059	1,090,848

All the Group's forward foreign exchange contracts outstanding at 31 December 2014 are net settlement contracts in hedge relationships. Contracts due to settle within 12 months require undiscounted contractual cash outflows of HK$4,576,000 (2013: cash inflows of HK$2,836,000). Contracts due to settle between 2 and 5 years require undiscounted contractual cash outflows of HK$9,084,000 (2013: cash inflows of HK$12,188,000). There is no gross settlement contract as at 31 December 2014 and 2013.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

Company

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2014				
Accruals and other payables	**12,076**	**–**	**–**	**12,076**
Amounts due to subsidiaries	**79,956**	**–**	**–**	**79,956**
	92,032	**–**	**–**	**92,032**

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2013				
Accruals and other payables	10,099	–	–	10,099
Amounts due to subsidiaries	96,931	–	–	96,931
	107,030	–	–	107,030

(c) Credit risk

Credit risk mainly arises from cash and bank balances, derivative financial instruments, rental deposits, outstanding accounts receivables, bills receivable and other receivables.

The Group's sales are mainly on open account. Each open account customer is granted an approved credit limit and the Group closely and regularly monitors the credit default risk of receivables from customers. During the year ended 31 December 2014, receivables from customers are substantially covered by credit insurance. Deteriorating operating conditions of customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial assets. To the extent that information is available, management has properly reflected estimates of expected future cash flows in the asset impairment assessments. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions. There is no significant credit risk in relation to the Group's cash and bank balances as cash and bank balances are placed with banks and financial institutions with good credit ratings. All the Group's bank deposits were placed in international financial institutions with minimum credit ratings of Baa1 as rated by Moody's as at 31 December 2014.

Management makes periodic assessments on the recoverability of receivables and deposits, and is of the opinion that adequate provision for receivables with significant credit risk has been made.

3.2 Capital 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 equity holders and to maintain an optimal capital structure to reduce the cost of capital.

Total capital comprises 'equity' as shown in the consolidated statement of financial position plus net borrowing, if any. During the years ended 31 December 2014 and 2013, the Group had no net borrowings, which is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or reduce debt.

3.3 Fair value estimation

The fair value of derivative financial instruments (forward foreign exchange contracts) is determined using forward exchange market rates at the end of each reporting period. The fair value of financial assets and 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.

Financial instruments are measured in the statement of financial position at fair value. HKFRS 13 requires disclosure of fair value measurements according to the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following tables present the Group's financial assets and liabilities that are measured at fair value at 31 December 2014 and 2013.

At 31 December 2014	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Forward foreign exchange contracts				
– Non-current	–	3,389	–	3,389
– Current	–	794	–	794
Total assets	–	4,183	–	4,183
Liabilities				
Forward foreign exchange contracts				
– Non-current	–	(12,473)	–	(12,473)
– Current	–	(5,370)	–	(5,370)
Total liabilities	–	(17,843)	–	(17,843)

At 31 December 2013	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Forward foreign exchange contracts				
– Non-current	–	12,188	–	12,188
– Current	–	2,836	–	2,836
Total assets	–	15,024	–	15,024

There was no transfer of financial assets between fair value hierarchy classifications for the years ended 31 December 2014 and 2013. Level 2 trading and hedging derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives. There was no change in valuation techniques during the year.

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements during the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgement 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 to 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 discussed below.

(a) Useful lives, residual values and depreciation of property, plant and equipment

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, 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; 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 expense in the future periods.

(b) Estimated impairment of investments in subsidiaries, investments in associates and non-financial assets, including goodwill

The Group assesses whether investments in subsidiaries, investments in associates and non-financial assets including goodwill have suffered any impairment in accordance with the accounting policy stated in Note 2(t). The recoverable amounts of investments in subsidiaries, investments in associates and non-financial assets including goodwill have been determined based on value in use calculations. These calculations require the use of judgement and estimates, in particular of future revenues or cash flows. Management has performed impairment assessment on the property, plant and equipment and goodwill relating to the garment manufacturing segment and concluded that other than the goodwill allocated to a particular CGU under garment manufacturing segment (Note 20(a)), no impairment is necessary to be made as at 31 December 2014. Management believes that any reasonable possible deviation from any of these assumptions would not cause the aggregate carrying amounts of CGUs to exceed their recoverable amounts.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

(c) Current and deferred income taxes

The Group is subject to income taxes in various 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. 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 are different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determinations are 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 against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

(d) Estimated impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables in the period in which such estimates have been changed.

(e) Estimated write-down of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-down on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-down requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of inventories in the period in which such estimates have been changed.

(f) Retirement and long service benefits

The determination of the Group's liabilities under defined benefit plans and long service payment liabilities depends on a number of factors relating to an actuarial valuation using a number of assumptions. The key assumptions are disclosed in Notes 31(b) and (c). Any changes in these assumptions will impact the carrying amount of the benefit obligations in the period in which such assumptions have been changed.

(g) Amortisation of license rights

License rights are amortised over the license period on the basis that reflects the pattern in which the license's future economic benefits are expected to be consumed by the Group. The determination of amortisation method on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset requires the use of judgement. Any changes in the amortisation method will impact the carrying value of license rights and the annual amortisation amount to be charged to the consolidated income statement.

5. REVENUE/INCOME AND SEGMENT INFORMATION

(a) Revenue/income by nature

	2014 *HK$'000*	2013 *HK$'000*
Revenue		
Sales of goods	**3,579,643**	3,598,816
Commission income	**386**	1,087
	3,580,029	3,599,903
Other income and other gains		
Net gain on disposals of property, plant and equipment	**2,096**	438
Government subsidies	**3,490**	4,010
Sundry income	**4,453**	1,764
	10,039	6,212
	3,590,068	3,606,115

5. REVENUE/INCOME AND SEGMENT INFORMATION (Continued)

(b) Segment information

Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision makers (the Chief Executive Officer and Senior Management collectively) in order to assess performance and allocate resources. The chief operating decision makers assess the performance of the reportable segments based on the measure of profit and loss generated. This measurement basis is equivalent to profit/(loss) after income tax for the year of that reportable segment.

The Group has two reportable segments: (i) garment manufacturing, and (ii) branded product distribution, retail and trading. The segment information is as follows:

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**2,134,318**	2,219,168	**1,480,731**	1,457,627	**–**	–	**3,615,049**	3,676,795
Less: Revenue from intersegment	**(35,020)**	(76,892)	**–**	–	**–**	–	**(35,020)**	(76,892)
Revenue from external customers	**2,099,298**	2,142,276	**1,480,731**	1,457,627	**–**	–	**3,580,029**	3,599,903
Reportable segment (loss)/profit	**(47,093)**	(54,036)	**89,515**	127,145	**(9,329)**	16,891	**33,093**	90,000
Net gain on disposal of a subsidiary					**137,272**	–	**137,272**	–
Income tax on disposal of a subsidiary					**(14,180)**	–	**(14,180)**	–
Net gain on disposal of freehold land and building					**30,172**	–	**30,172**	–
Income taxes resulted from disposal of freehold land and building					**(7,896)**	–	**(7,896)**	–
Impairment of goodwill	**(20,893)**	–					**(20,893)**	–
Restructuring costs	**(9,270)**	(46,597)					**(9,270)**	(46,597)
Profit for the year							**148,298**	43,403

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated *(Note (1))*		Total	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets including:	**976,513**	1,068,273	**759,882**	746,718	**1,107,897**	922,273	**2,844,292**	2,737,264
Investment in an associate	**–**	–	**–**	–	**–**	–	**–**	–
Additions to non-current assets *(Note (2))*	**33,710**	59,907	**14,341**	1,678	**6,119**	13,723	**54,170**	75,308
Segment liabilities	**353,593**	368,129	**476,928**	508,600	**460,800**	403,753	**1,291,321**	1,280,482

5. REVENUE/INCOME AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Finance income	**–**	–	**–**	–	**14,741**	12,649	**14,741**	12,649
Finance costs	**–**	–	**(4,534)**	(5,840)	**(8,152)**	(6,844)	**(12,686)**	(12,684)
Income tax expense under reportable segment	**(7,428)**	2,030	**(62,200)**	(61,104)	**3,463**	13,935	**(66,165)**	(45,139)
Income tax on disposal of a subsidiary	**–**	–	**–**	–	**(14,180)**	–	**(14,180)**	–
Income taxes resulted from disposal of freehold land and building	**–**	–	**–**	–	**(7,896)**	–	**(7,896)**	–
Amortisation of leasehold land and land use rights	**(428)**	(509)	**–**	–	**(3,742)**	(3,708)	**(4,170)**	(4,217)
Amortisation of license rights	**–**	–	**(62,033)**	(50,781)	**–**	–	**(62,033)**	(50,781)
Depreciation on property, plant and equipment	**(38,884)**	(35,870)	**(9,454)**	(7,674)	**(30,195)**	(30,167)	**(78,533)**	(73,711)
Provision for impairment of receivables, net	**(265)**	(36)	**–**	–	**–**	–	**(265)**	(36)
Reversal of write-down/(write-down) of inventories to net realisable value, net	**(10,590)**	(6,922)	**19,262**	(8,820)	**–**	–	**8,672**	(15,742)
Net gain/(loss) on disposals of property, plant and equipment	**720**	–	**(4)**	–	**1,380**	438	**2,096**	438
Net gain on disposal of freehold land and building	**–**	–	**–**	–	**30,172**	–	**30,172**	–
Net gain on disposal of a subsidiary	**–**	–	**–**	–	**137,272**	–	**137,272**	–
Impairment of goodwill	**(20,893)**	–	**–**	–	**–**	–	**(20,893)**	–
Restructuring costs	**(9,270)**	(46,597)	**–**	–	**–**	–	**(9,270)**	(46,597)
Overprovision of tax penalties *(Note 10)*	**–**	–	**–**	–	**–**	21,600	**–**	21,600

5. REVENUE/INCOME AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

The Group's revenue is mainly derived from customers located in the PRC, the United States of America ("US") and the United Kingdom ("UK"), while the Group's production facilities and other assets are located predominantly in the PRC and Thailand. The PRC includes the Mainland China, Hong Kong and Macau. An analysis of the Group's revenue by location of customers and an analysis of the Group's non-current assets by location of assets are as follows:

	PRC		US		UK		Other countries		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**1,834,822**	1,668,910	**947,793**	1,036,437	**591,714**	676,311	**205,700**	218,245	**3,580,029**	3,599,903

Included in revenue derived from the PRC was HK$392,361,000 (2013: HK$264,187,000) which was generated in Hong Kong.

For the year ended 31 December 2014, revenues from two customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue in that year and represented approximately 11% and 10% of the total revenue respectively. For the year ended 31 December 2013, no revenue from an individual customer accounted for more than 10% of the Group's total revenue.

	PRC		Thailand		Other locations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (2))*	**636,610**	766,653	**69,609**	69,847	**55,856**	81,837	**762,075**	918,337

Included in non-current assets located in the PRC was HK$127,205,000 (2013: HK$197,249,000), which was related to assets located in Hong Kong.

Notes:

(1) Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings, land use rights and buildings for corporate purposes.

(2) Non-current assets exclude deferred income tax assets and defined benefit plan assets.

6. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2013, following the strategic plan to consolidate resources of owned factories in China, the Group started to close down the factory operation of a subsidiary namely, Chochuen Garment (Shenzhen) Co., Ltd. ("Chochuen") and provided restructuring costs of HK$46,597,000 in the 2013 consolidated income statement. In the year ended 31 December 2014, additional closure costs of HK$9,270,000 were incurred and after the cessation of production and factory operation, the Group disposed of Chochuen at a consideration of HK$171,800,000 and recognised a net pre-tax gain on disposal of HK$137,272,000.

7. NET GAIN ON DISPOSAL OF FREEHOLD LAND AND BUILDING

During the year ended 31 December 2014, the Group disposed of an office property in Taiwan at New Taiwan Dollars 123,215,000 (equivalent to HK$32,032,000) and realised a net pre-tax gain on disposal of HK$30,172,000.

8. PROFIT FROM OPERATIONS

Profit from operations is stated after crediting and charging the following:

	2014 *HK$'000*	2013 *HK$'000*
Crediting		
Net gain on disposals of property, plant and equipment	**2,096**	438
Net gain on disposal of freehold land and building	**30,172**	–
Net gain on disposal of a subsidiary	**137,272**	–
Net exchange gain	**1,203**	4,668
Reversal of write-down of inventories to net realisable value, net	**8,672**	–
Overprovision of tax penalties *(Note 10)*	**–**	21,600
Charging		
Depreciation on property, plant and equipment	**78,533**	73,711
Amortisation of leasehold land and land use rights	**4,170**	4,217
Amortisation of license rights	**62,033**	50,781
Impairment of goodwill	**20,893**	–
Provision for impairment of receivables, net	**265**	36
Write-down of inventories to net realisable value, net	**–**	15,742
Employee benefit expenses *(Note 14)*	**906,804**	920,441
Less: Amounts included in restructuring costs	**–**	(39,004)
	906,804	881,437
Operating lease rental in respect of land and buildings	**82,872**	80,138
Auditors' remuneration	**5,291**	5,155
Restructuring costs	**9,270**	46,597

9. FINANCE INCOME/FINANCE COSTS

	2014 *HK$'000*	2013 *HK$'000*
Finance income		
Interest income from bank deposits	**14,741**	12,649
Finance costs		
Interest on bank loans	**8,152**	6,844
Imputed interest on license fees payable	**4,534**	5,840
	12,686	12,684

10. INCOME TAX EXPENSE

	2014 *HK$'000*	2013 *HK$'000*
Current income tax		
Hong Kong profits tax	**1,437**	1,376
Non-Hong Kong tax	**72,059**	58,403
Underprovisions/(overprovisions) of prior years	**50**	(13,232)
	73,546	46,547
Deferred income tax	**14,695**	(1,408)
	88,241	45,139

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Income taxes on non-Hong Kong profits have been calculated on the estimated assessable profits for the year at the tax rates prevailing in the countries/places in which the Group operates.

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

10. 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 Group companies as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**236,539**	88,542
Tax calculated at weighted average tax rate applicable to profits in the respective countries/places	**57,968**	30,684
Withholding tax	**17,522**	16,856
Capital gain tax	**16,285**	–
Income not subject to tax	**(49,409)**	(25,654)
Expenses not deductible for tax	**20,803**	20,148
Utilisation of previously unrecognised tax losses	**(2,037)**	(4,450)
Reversal of previously recognised temporary difference	**5,779**	4,051
Unrecognised current year tax losses	**21,280**	16,736
Underprovisions/(overprovisions) of prior years	**50**	(13,232)
Income tax expense	**88,241**	45,139

The weighted average applicable domestic tax rate was 19% (2013: 21%). The decrease is caused by a change in mix of profits earned by different Group companies which are subject to different tax rates.

There was no share of income tax expense of associates for the year ended 31 December 2014 (2013: Nil) included in the consolidated income statement as share of losses of associates.

During the year ended 31 December 2013, the Group, on a complete without prejudice basis, reached a settlement with the Hong Kong Inland Revenue Department to finalise tax audit. The Group agreed to settle a total sum of HK$46,539,000 in relation to tax and penalties (the "Settlement Sum") for the years of assessment 1999/2000 to 2006/2007. The Group redeemed the tax reserve certificates purchased under the protective assessments to offset the Settlement Sum. The Group had made provisions of HK$86,000,000 in relation to the tax audit in the prior years and the overprovisions of tax of HK$17,861,000 and penalties of HK$21,600,000 were credited against income tax expense and general and administrative expenses respectively in the consolidated income statement for the year ended 31 December 2013.

11. 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$43,850,000 (2013: HK$77,273,000).

12. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend paid – Nil (2013: Nil)	**–**	–
Final dividend proposed – HK$0.06 (2013: HK$0.06) per share	**16,271**	16,247
	16,271	16,247

A final dividend for the year ended 31 December 2014 of HK$0.06 per share, totalling HK$16,271,000 (2013: HK$0.06 per share, totalling HK$16,247,000), is recommended by the Board for approval at the forthcoming annual general meeting of the Company. This proposed dividend has not been dealt with as dividend payable as at 31 December 2014, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2015.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company by the weighted average number of shares in issue for the year.

	2014 HK$'000	2013 HK$'000
Profit attributable to equity holders of the Company	**148,277**	43,439
Weighted average number of ordinary shares in issue	**270,907,352**	270,612,878
Basic earnings per share	**HK$0.55**	HK$0.16

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 granted under the Company's share option scheme.

13. EARNINGS PER SHARE (Continued)

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to 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.

	2014	2013
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**148,277**	43,439
Weighted average number of ordinary shares in issue	**270,907,352**	270,612,878
Effect of share options	**164,005**	439,198
Weighted average number of ordinary shares for diluted earnings per share	**271,071,357**	271,052,076
Diluted earnings per share	**HK$0.55**	HK$0.16

14. EMPLOYEE BENEFIT EXPENSES

	2014	2013
	HK$'000	*HK$'000*
Directors' emoluments *(Note 15)*	**10,067**	7,853
Wages, salaries, allowances and bonuses	**788,710**	816,186
Welfare and other benefits	**67,372**	56,437
Retirement benefits		
– Defined contribution plans	**38,737**	38,034
– Defined benefit plans *(Note 31(b))*	**561**	571
– Long service payment liabilities *(Note 31(c))*	**965**	960
Share-based compensation expense – share options granted *(Note 36)*	**392**	400
Total employment expenses	**906,804**	920,441
Less: Amounts included in restructuring costs	**–**	(39,004)
	906,804	881,437

15. DIRECTORS' EMOLUMENTS

Details of the directors' emoluments are set out below:

Name	**Fees**	**Salary and other benefits**	**Discretionary bonuses**	**Employer's contribution to retirement benefit schemes**	**2014 Total**	2013 Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Executive Director:						
Mr. WANG Kin Chung, Peter	–	**4,996**	**2,966**	**134**	**8,096**	5,854
Non-Executive Directors:						
Ms. WANG KOO Yik Chun	**120**	**737**	**300**	–	**1,157**	1,140
Ms. MAK WANG Wing Yee, Winnie	**187**	–	–	–	**187**	199
Dr. WANG Shui Chung, Patrick	**83**	–	–	–	**83**	113
Independent Non-Executive Directors:						
Mr. LO Kai Yiu, Anthony	**244**	–	–	–	**244**	255
Mr. James Christopher KRALIK	**187**	–	–	–	**187**	161
Mr. Peter TAN	**113**	–	–	–	**113**	131
	934	**5,733**	**3,266**	**134**	**10,067**	7,853

No director waived his/her emoluments during the year (2013: Nil).

16. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 include one (2013: one) director, whose emoluments are disclosed in Note 15. Details of emoluments of the other four (2013: four) individuals are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and other benefits	6,892	6,704
Discretionary bonuses	49,659	49,077
Contribution to retirement benefit schemes	94	102
	56,645	55,883

The emoluments of these four (2013: four) individuals are within the following bands:

	Number of employees 2014	2013
HK$3,000,001 – HK$3,500,000	–	1
HK$5,500,001 – HK$6,000,000	1	–
HK$15,000,001 – HK$15,500,000	1	1
HK$17,000,001 – HK$17,500,000	1	–
HK$17,500,001 – HK$18,000,000	–	1
HK$18,500,001 – HK$19,000,000	1	–
HK$19,000,001 – HK$19,500,000	–	1
	4	4

During the year, no emoluments were paid to the five highest paid individuals as an inducement to join the Group or as compensation for loss of office (2013: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land+ HK$'000	Buildings+ HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
As at 1 January 2014							
Cost	60,960	520,748	312,879	357,079	25,808	1,390	1,278,864
Accumulated depreciation and impairment	–	(237,230)	(235,727)	(258,634)	(21,158)	–	(752,749)
Net book amount	60,960	283,518	77,152	98,445	4,650	1,390	526,115
Year ended 31 December 2014							
Opening net book amount	60,960	283,518	77,152	98,445	4,650	1,390	526,115
Additions	–	–	21,794	25,091	2,007	5,278	54,170
Transfer/reclassification	–	–	–	4,500	–	(4,500)	–
Disposal of a subsidiary	–	(18,923)	–	–	–	–	(18,923)
Disposals	(1,806)	(659)	(170)	(221)	(430)	–	(3,286)
Depreciation	–	(26,829)	(19,721)	(30,180)	(1,803)	–	(78,533)
Exchange differences	(287)	(428)	(206)	(176)	(12)	(2)	(1,111)
Closing net book amount	58,867	236,679	78,849	97,459	4,412	2,166	478,432
As at 31 December 2014							
Cost	58,867	481,351	293,888	339,215	22,618	2,166	1,198,105
Accumulated depreciation and impairment	–	(244,672)	(215,039)	(241,756)	(18,206)	–	(719,673)
Net book amount	58,867	236,679	78,849	97,459	4,412	2,166	478,432

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Freehold land+ *HK$'000*	Buildings+ *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvements, furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
As at 1 January 2013							
Cost	65,240	517,425	302,593	313,181	24,266	222	1,222,927
Accumulated depreciation and impairment	–	(211,491)	(232,687)	(231,313)	(20,166)	–	(695,657)
Net book amount	65,240	305,934	69,906	81,868	4,100	222	527,270
Year ended 31 December 2013							
Opening net book amount	65,240	305,934	69,906	81,868	4,100	222	527,270
Additions	–	376	25,679	41,902	2,488	4,863	75,308
Transfer/reclassification	–	–	–	3,758	–	(3,758)	–
Disposals	–	(60)	(908)	(58)	(23)	–	(1,049)
Impairment	–	–	(3,349)	(3,704)	(197)	–	(7,250)
Depreciation	–	(29,003)	(15,413)	(27,551)	(1,744)	–	(73,711)
Exchange differences	(4,280)	6,271	1,237	2,230	26	63	5,547
Closing net book amount	60,960	283,518	77,152	98,445	4,650	1,390	526,115
As at 31 December 2013							
Cost	60,960	520,748	312,879	357,079	25,808	1,390	1,278,864
Accumulated depreciation and impairment	–	(237,230)	(235,727)	(258,634)	(21,158)	–	(752,749)
Net book amount	60,960	283,518	77,152	98,445	4,650	1,390	526,115

\+ Freehold land is located in Thailand, Taiwan and the Philippines. The buildings are located in the PRC, Thailand, Taiwan, the Philippines and Vietnam.

Depreciation expense of HK$28,229,000 (2013: HK$25,322,000) is included in cost of sales, HK$5,307,000 (2013: HK$4,048,000) is included in selling and distribution expenses and HK$44,997,000 (2013: HK$44,341,000) is included in general and administrative expenses.

No provision for impairment is included in restructuring costs for the year ended 31 December 2014 (2013: HK$7,250,000).

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Plant and machinery *HK$'000*	Leasehold improvements, furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
As at 1 January 2014				
Cost	**33**	**17,370**	**3,323**	**20,726**
Accumulated depreciation	**(33)**	**(17,251)**	**(2,679)**	**(19,963)**
Net book amount	**–**	**119**	**644**	**763**
Year ended 31 December 2014				
Opening net book amount	**–**	**119**	**644**	**763**
Additions	**–**	**–**	**1,571**	**1,571**
Disposals	**–**	**–**	**(345)**	**(345)**
Depreciation	**–**	**(43)**	**(430)**	**(473)**
Closing net book amount	**–**	**76**	**1,440**	**1,516**
As at 31 December 2014				
Cost	**33**	**17,370**	**1,848**	**19,251**
Accumulated depreciation	**(33)**	**(17,294)**	**(408)**	**(17,735)**
Net book amount	**–**	**76**	**1,440**	**1,516**

	Plant and machinery *HK$'000*	Leasehold improvements, furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
As at 1 January 2013				
Cost	33	17,540	3,323	20,896
Accumulated depreciation	(33)	(17,374)	(2,070)	(19,477)
Net book amount	–	166	1,253	1,419
Year ended 31 December 2013				
Opening net book amount	–	166	1,253	1,419
Disposals	–	–	–	–
Depreciation	–	(47)	(609)	(656)
Closing net book amount	–	119	644	763
As at 31 December 2013				
Cost	33	17,370	3,323	20,726
Accumulated depreciation	(33)	(17,251)	(2,679)	(19,963)
Net book amount	–	119	644	763

18. LEASEHOLD LAND AND LAND USE RIGHTS

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

	Group 2014 *HK$'000*	2013 *HK$'000*
Outside Hong Kong – Medium-term lease of 10 to 50 years	**161,486**	173,096

	2014 *HK$'000*	2013 *HK$'000*
As at 1 January		
Cost	**195,197**	189,314
Accumulated amortisation	**(22,101)**	(17,341)
Net book amount	**173,096**	171,973
Year ended 31 December		
Opening net book amount	**173,096**	171,973
Amortisation	**(4,170)**	(4,217)
Disposal of a subsidiary	**(6,826)**	–
Exchange differences	**(614)**	5,340
Closing net book amount	**161,486**	173,096
As at 31 December		
Cost	**183,736**	195,197
Accumulated amortisation	**(22,250)**	(22,101)
Net book amount	**161,486**	173,096

Amortisation of HK$819,000 is included in cost of sales for 2014 (2013: HK$897,000) and HK$3,351,000 (2013: HK$3,320,000) is included in general and administrative expenses.

19. SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**400,673**	400,281
Amount due from a subsidiary	**107,513**	107,513
Less: Accumulated impairment losses	**(34,240)**	(34,240)
	473,946	473,554

Amount due from a subsidiary, under investments in subsidiaries, is unsecured, interest free, without fixed term of repayment and not expected to be repaid within the next 12 months. The balance is denominated in Hong Kong dollars.

(b) Amounts due from/to subsidiaries

Amounts due from/to subsidiaries, classified as current assets/liabilities, are unsecured, interest free, and repayable on demand. The balances are denominated in Hong Kong dollars.

(c) Particulars of principal subsidiaries, all of which are unlisted, as at 31 December 2014:

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
338 Apparel Limited	Hong Kong	Hong Kong	Branded product trading	HK$1,000,000	–	100%	100%
338 Fashion Co. Limited	Hong Kong	Hong Kong	Branded product distribution and retail	HK$3,000,000	–	100%	100%
338 Fashion (Macau) Company Limited	Macau	Macau	Branded product distribution and retail	MOP25,000	–	100%	100%
A-Grade Garments Manufacturing Corporation	The Philippines	The Philippines	Inactive	P26,000,000	–	100%	100%
Action Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Advanced Fashions Technology Limited	British Virgin Islands	United States of America	Liaison services	US$1,000	100%	–	100%
All Asia Garment Industries, Inc.	The Philippines	The Philippines	Factory facilities leasing	P27,425,000	–	100%	100%
All Asia Industries Co., Ltd. *(Note (iii))*	PRC	PRC	Garment manufacturing	HK$53,500,000	–	100%	100%
Apparel Trading & Property Ventures, Inc.	The Philippines	The Philippines	Investment holding	P7,500,000	–	100%	100%
Brilliant Idea International Limited	Hong Kong	Hong Kong	Investment holding	HK$100	–	100%	100%
昇韻管理咨詢(深圳)有限公司 *(Note (iii))*	PRC	PRC	General administrative and supporting services	RMB500,000	–	100%	100%
Broad Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Cissonne (Shanghai) Enterprises Co., Ltd. *(Note (iii))*	PRC	PRC	Branded product distribution and retail	RMB1,000,000	–	100%	100%
Cissonne Hong Kong Limited	Hong Kong	Hong Kong	General trading	HK$1	–	100%	100%
Dress Line Holdings, Inc.	The Philippines	The Philippines	Investment holding	P59,562,500 (common)	–	100%	100%
				P180,000,000 (preferred) *(Note (ii))*	–	100%	100%

19. SUBSIDIARIES (Continued)

(c) Particulars of principal subsidiaries, all of which are unlisted, as at 31 December 2014 (Continued):

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Excellent Jade Limited	Hong Kong	Hong Kong	Garment trading and manufacturing	HK$10,000	–	100%	100%
Excellent Quality Apparel, Inc.	The Philippines	The Philippines	Garment manufacturing	P15,000,000	–	100%	100%
Gold Flower Limited	Hong Kong	Hong Kong	General administrative and supporting services	HK$10,000	–	100%	100%
Great Horizons Property Ventures, Inc.	The Philippines	The Philippines	Investment holding	P8,000,000	–	100%	100%
Guangzhou Excellent Fashion Design Company Limited *(Note (iii))*	PRC	PRC	Garment design and provision of technical services	RMB1,500,000	–	100%	100%
Guangzhou Tristate Industrial Co., Ltd. *(Note (iii))*	PRC	PRC	Garment manufacturing	HK$18,500,000	–	100%	100%
Hefei Tristate Garment Manufacturing Company Limited *(Note (iii))*	PRC	PRC	Garment manufacturing	RMB105,000,000	–	100%	100%
合肥賢法服裝有限公司 *(Note (iii))*	PRC	PRC	General trading	RMB1,000,000	–	100%	100%
HFT Corp. Limited	Hong Kong	Hong Kong	Investment holding	HK$10,000,000	–	100%	100%
Hua Thai Manufacturing Public Company Limited	Thailand	Thailand	Garment manufacturing and exporting	THB100,000,000	–	99.87%	99.87%
Hwa Fuh Manufacturing Company (Hong Kong) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,250,000	–	100%	100%
Joint Holdings & Trading Company Limited	Hong Kong	Hong Kong	Investment holding	HK$925 (ordinary)	–	100%	100%
				HK$7,200,075 (deferred) *(Note (i))*	–	100%	100%
Keybird Limited	Hong Kong	Hong Kong	Investment holding	HK$3,000,000	100%	–	100%
Keyear Company Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Prime-Time Company Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Prosperous Year International Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Quality Time Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Shanghai Tristate Enterprises Co., Ltd. *(Note (iii))*	PRC	PRC	Branded product distribution and retail	RMB180,000,000	–	100%	100%
Sharp Hero International Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%

19. SUBSIDIARIES (Continued)

(c) Particulars of principal subsidiaries, all of which are unlisted, as at 31 December 2014 (Continued):

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Sigsbee Investment Limited	The Republic of Liberia	Hong Kong	Investment holding	US$1	100%	–	100%
Sparkling Ocean Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	100%	–	100%
Tenmo Limited	Hong Kong	Hong Kong	Investment holding	HK$2,000,000	100%	–	100%
Timely Corporate Limited	Hong Kong	Hong Kong	Nominee and secretarial services	HK$1	100%	–	100%
Tristate Cissonne Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate Cissonne International Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate Cissonne IP Limited	British Virgin Islands	Hong Kong	Trademark holding	US$1	–	100%	100%
Tristate EFM Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate EFM Hong Kong Limited	Hong Kong	Hong Kong	General trading	HK$1	–	100%	100%
Tristate EFM International Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate EFM IP Limited	British Virgin Islands	Hong Kong	Trademark holding	US$1	–	100%	100%
Tristate EFM US Inc.	United States of America	United States of America	Branded product distribution and retail	US$1	–	100%	100%
Tristate Industrial Co., Ltd.	Taiwan	Taiwan	Sales liaison services	NT$20,000,000	–	100%	100%
Tristate Myanmar Company Limited	The Republic of the Union of Myanmar	The Republic of the Union of Myanmar	Garment manufacturing	US$1,126,322	–	100%	100%
Tristate Trading Limited	Malaysia	Macau	Garment trading	US$1	–	100%	100%
Tristate Tri-novation Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
TT&Co Asia Limited	Hong Kong	Hong Kong	General trading	HK$10,000	–	100%	100%
Upgain Limited	British Virgin Islands	Hong Kong	Investment holding	US$16,000,000	–	99.87%	99.87%
Upgain (Vietnam) Manufacturing Company Limited	Vietnam	Vietnam	Garment manufacturing	US$4,000,000	–	100%	100%
Velmore Holdings Limited	England	England	Investment holding	GBP558,335.60	–	100%	100%
Velmore Limited	England	England	Design and customer support services	GBP30,000	–	100%	100%
Velmore Sarl	Morocco	Morocco	Inactive	Dirhams100,000	–	100%	100%
Winner Wealth Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%

19. SUBSIDIARIES (Continued)

(c) Particulars of principal subsidiaries, all of which are unlisted, as at 31 December 2014 (Continued):

Notes:

(i) The holders of the deferred shares are not entitled to receive any dividends or other distributions and have no right to vote at any general meeting of the company. They are not entitled to participate in any profits or assets of the company unless upon a winding up, in that case, the holders of the deferred shares have the right to receive the amount paid up on such deferred shares to be distributed out of the surplus assets of the company in accordance with its articles of association.

(ii) The holders of the preferred shares are entitled to receive the same dividends as the common shares and have no right to vote at any general meeting of the company. The preferred shares are redeemable subject to the terms and conditions determined by the board of directors of the company and have preference over common shares in the distribution of assets of the company in the event of liquidation.

(iii) A wholly foreign owned enterprise established in the PRC.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2014.

20. INTANGIBLE ASSETS

	Group		
	Goodwill	**License rights**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
As at 1 January 2014			
Cost	**22,117**	**264,788**	**286,905**
Accumulated amortisation	**–**	**(108,227)**	**(108,227)**
Net book amount	**22,117**	**156,561**	**178,678**
Year ended 31 December 2014			
Opening net book amount	**22,117**	**156,561**	**178,678**
Amortisation	**–**	**(62,033)**	**(62,033)**
Impairment *(Note (a))*	**(20,893)**	**–**	**(20,893)**
Exchange differences	**(1,224)**	**–**	**(1,224)**
Closing net book amount	**–**	**94,528**	**94,528**
As at 31 December 2014			
Cost	**20,893**	**264,788**	**285,681**
Accumulated amortisation and impairment	**(20,893)**	**(170,260)**	**(191,153)**
Net book amount	**–**	**94,528**	**94,528**

	Group		
	Goodwill	License rights	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2013			
Cost	21,705	264,788	286,493
Accumulated amortisation	–	(57,446)	(57,446)
Net book amount	21,705	207,342	229,047
Year ended 31 December 2013			
Opening net book amount	21,705	207,342	229,047
Amortisation	–	(50,781)	(50,781)
Exchange differences	412	–	412
Closing net book amount	22,117	156,561	178,678
As at 31 December 2013			
Cost	22,117	264,788	286,905
Accumulated amortisation	–	(108,227)	(108,227)
Net book amount	22,117	156,561	178,678

Amortisation of HK$62,033,000 (2013: HK$50,781,000) is included in the selling and distribution expenses in the consolidated income statement. Amortisation is charged over the license periods ranging from 3 to 5 years.

20. INTANGIBLE ASSETS (Continued)

Notes:

(a) Impairment of goodwill

Goodwill is allocated to a CGU under the garment manufacturing segment. The recoverable amount of the CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering the financial year 2015. Cash flows from 2016 onwards are projected based on year 2015 financial budgets with no growth for nineteen years thereafter. In 2013, pre-tax cash flow projections were based on financial budgets for the financial year 2014 and no growth for the nineteen years thereafter. Future cash flows are discounted at 13% per annum (2013: 10% per annum). The discount rate used is pre-tax and reflects specific risks relating to the CGU. As at 31 December 2014, due to the foreseeable difficult operating environment and unsatisfactory results of that CGU, management performed an impairment assessment and full impairment has been made.

(b) License rights represent capitalisation of the minimum contractual obligation at the time of inception. They are recognised based on discount rates equal to the Group's weighted average borrowing rates of approximately 3.0% to 5.0% per annum at the dates of inception.

(c) Early termination of a license agreement

On 24 December 2014, the Group and Jack Wolfskin Ausrüstung für Draussen GmbH & Co. KGaA ("JW Germany") entered into a framework termination agreement (the "Termination Agreement") to terminate the license granted to the Group for the distribution of Jack Wolfskin products in the PRC, Hong Kong and Macau (the license was originally due to expire in December 2015). The termination has been effected on 27 March 2015 upon satisfaction of the required conditions, including the set up of a company ("JW PRC Co") by JW Germany, and having obtained for them from local authority the required legal and regulatory approvals to continue operating the Jack Wolfskin branded product distribution business in the PRC ("JW PRC business").

Upon the license termination, the Group ceased to distribute Jack Wolfskin products in the PRC, while the Group will be re-appointed as a distributor of the Jack Wolfskin products in Hong Kong and Macau. The Jack Wolfskin PRC distribution business has been a steady income contributor to the Group, with revenue totalling HK$972 million in the year ended 31 December 2014 (2013: HK$946 million). As stipulated in the Termination Agreement, Shanghai Tristate Enterprises Co., Ltd. ("Shanghai Tristate", a wholly-owned subsidiary of the Group), shall provide consultancy services to JW PRC Co, from the termination date to 31 December 2017, to advise and assist JW PRC Co on the development, procurement, sale and marketing of the Jack Wolfskin products in the PRC, as well as in relation to the management of the JW PRC business of JW PRC Co. Shanghai Tristate shall receive consultancy fees amounting to substantially the entire pre-tax earnings of JW PRC Co for the period from the termination date to 31 December 2015, plus certain agreed percentages of the gross profits of JW PRC Co in 2016 and 2017. In addition, Shanghai Tristate shall receive monthly fees for the provision of certain operational services to JW PRC Co to facilitate the smooth transition of the JW PRC business.

21. OTHER LONG-TERM ASSETS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Advance to an employee *(Note 38(c)(ii))*	**6,831**	7,429	**–**	–
Long-term deposits	**15,309**	17,217	**–**	–
Deposits with a financial institution *(Note)*	**–**	1,514	**–**	1,514
Club debentures	**2,100**	2,100	**–**	–
	24,240	28,260	**–**	1,514

Note:

Deposits with a financial institution are denominated in Hong Kong dollars with an effective interest rate of 5.3% per annum in 2013.

22. INVESTMENT IN AN ASSOCIATE

	Group	
	2014	2013
	HK$'000	*HK$'000*
As at 1 January/31 December	**–**	–

Particulars of the associate, which is unlisted, as at 31 December 2014 and 2013 are as follows:

Name of associate	**Place of incorporation/ establishment**	**% interest held indirectly**	**Nature of the relationship**	**Measurement method**
MAC International Sarl (under liquidation)	Morocco	50%	*Note*	Equity

Note:

MAC International Sarl is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the associate.

23. INVENTORIES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**62,825**	70,975
Work-in-progress	**118,838**	124,490
Finished goods	**332,621**	230,309
Goods in transit	**65,838**	72,766
	580,122	498,540

Net reversal of write-down of inventories amounting to HK$8,672,000 (2013: net write-down of inventories of HK$15,742,000) was included in cost of sales.

24. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

The aging of accounts receivable and bills receivable based on invoice date is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Less than 3 months	**450,774**	415,902
3 months to 6 months	**5,390**	920
Over 6 months	**2,052**	1,840
	458,216	418,662
Less: Provision for impairment	**(2,052)**	(1,840)
	456,164	416,822

The majority of trade receivables are with customers having an appropriate credit history and are on open account. The Group grants its customers credit terms mainly ranging from 30 to 60 days.

The carrying amounts of the accounts receivable and bills receivable approximate their fair values. The maximum exposure to credit risk is the fair value of the above receivables. The Group does not hold any collateral as security.

As at 31 December 2014, accounts receivable and bills receivable of HK$166,887,000 (2013: HK$160,083,000) were past due but considered not to be impaired. These relate to a number of customers for whom there is no history of default. The aging of these receivables based on invoice date is as follows:

	2014	2013
	HK$'000	*HK$'000*
Less than 3 months	**161,497**	159,163
3 months to 6 months	**5,390**	920
	166,887	160,083

As at 31 December 2014, accounts receivable and bills receivable over 6 months of HK$2,052,000 (2013: HK$1,840,000) were considered impaired and had been fully provided for.

The risk of accounts receivable and bills receivable that are neither past due nor impaired as at 31 December 2014 becoming impaired is considered low as most of the balances related to customers with no history of default.

24. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE (Continued)

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

	2014 HK$'000	2013 HK$'000
At 1 January	**1,840**	1,804
Provision for impairment	**265**	36
Receivables written off during the year as uncollectible	**(53)**	–
At 31 December	**2,052**	1,840

The provision for impaired receivables has been included in general and administrative expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The carrying amounts of accounts receivable and bills receivable are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
United States dollars	**275,545**	257,607
Renminbi	**178,515**	154,209
Hong Kong dollars	**2,044**	4,965
Others	**60**	41
	456,164	416,822

25. FORWARD FOREIGN EXCHANGE CONTRACTS

	Group	
	2014 HK$'000	2013 HK$'000
Cash flow hedges *(Note (i))*		
Included in:		
Non-current assets	**3,389**	12,188
Current assets	**794**	2,836
	4,183	15,024
Included in:		
Non-current liabilities	**12,473**	–
Current liabilities	**5,370**	–
	17,843	–

The maximum exposure to credit risk is the fair value as stated above of the forward foreign exchange contracts under current and non-current assets in the consolidated statement of financial position. The outstanding forward foreign exchange contracts with maturity dates within one year are classified as current assets and liabilities, while those with maturity dates more than one year are classified as non-current assets and liabilities.

Notes:

(i) Forward foreign exchange contracts – cash flow hedges

As at 31 December 2014, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK$822,104,000 (2013: HK$496,256,000). The hedges related to PRC subsidiaries' highly probable forecasted processing income denominated in foreign currencies, of which notional principal of HK$480,853,000 (2013: HK$341,176,000) relates to transactions expected to occur more than 12 months and notional principal of HK$341,251,000 (2013: HK$155,080,000) relates to transactions expected to occur within 12 months.

Gains and losses of forward foreign exchange contracts recorded in the hedging reserve in the consolidated statement of comprehensive income for the year ended 31 December 2014 are to be recognised within cost of sales and general and administrative expenses in the consolidated income statement when the underlying hedged transactions affect the consolidated income statement.

The forward foreign exchange contracts entered during 2013 and 2014 were determined to be effective hedges and no gain or loss relating to the ineffective portion was recognised in the consolidated income statement.

(ii) Forward foreign exchange contracts – net investment hedge

During the period from March 2008 to March 2010, the Group entered into forward foreign exchange contracts to hedge against its net investment in a subsidiary group in the UK. Pursuant to the Group's hedging strategy, the Group ceased hedging the subsidiary group from March 2010. The cumulative gains and losses of the forward foreign exchange contracts which were recognised in the translation reserve when the hedge was effective, shall remain in the translation reserve and are to be recognised in the consolidated income statement when the foreign subsidiary group is disposed.

26. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Net proceeds receivable on disposal of a subsidiary	**157,620**	–	**–**	–
Advance payments for purchases of inventories	**63,277**	64,463	**–**	–
Rental deposits	**6,944**	4,057	**–**	–
Value added tax and custom duties recoverable	**635**	5,522	**–**	–
Income tax recoverable	**328**	302	**–**	302
Prepaid operating expenses	**42,342**	60,176	**111**	96
Others	**9,690**	15,953	**393**	392
	280,836	150,473	**504**	790

Note:

The carrying amounts of other receivables approximate their fair values. The maximum exposure to credit risk is the fair value of the above items. The Group does not hold any collateral as security.

27. CASH AND BANK BALANCES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Short-term bank deposits	**303,278**	365,230	**–**	–
Cash at bank and on hand	**149,881**	258,343	**4,068**	2,579
Cash and cash equivalents	**453,159**	623,573	**4,068**	2,579
Short-term bank deposits, with maturities over 3 months	**205,004**	670	**–**	–
Bank structured deposits	**65,281**	68,684	**–**	–
Total cash and bank balances	**723,444**	692,927	**4,068**	2,579

The effective interest rate on short-term bank deposits was 3.0% per annum (2013: 2.9% per annum). The effective interest rate on cash at bank was 0.2% per annum (2013: 0.2% per annum). The short-term bank deposits mainly have maturities ranging from three months to one year at inception.

Bank structured deposits are hybrid instruments that include a non-derivative Renminbi deposits host contract and an embedded derivative. The embedded derivative causes the cash flows that otherwise would be required by the contract to be modified according to the movement of a foreign exchange rate.

The embedded derivative is separated from the host contract and accounted for as a derivative at fair value while the host contract is accounted for as a financial asset at amortised cost. At the date of inception of the contract and at 31 December 2014, the fair value of the embedded derivative was insignificant.

The effective interest rate on bank structured deposits was 5.0% per annum (2013: 4.5% per annum). The bank structured deposits have maturities of three months at inception.

The carrying amounts of cash and bank balances are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**629,450**	602,855	**–**	–
United States dollars	**52,167**	57,680	**576**	827
Hong Kong dollars	**16,408**	16,510	**3,492**	1,752
Pound Sterling	**1,438**	1,485	**–**	–
Others	**23,981**	14,397	**–**	–
Total	**723,444**	692,927	**4,068**	2,579

The Group's cash and bank balances denominated in Renminbi were deposited with banks in the Mainland China. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China government.

28. ACCOUNTS PAYABLE AND BILLS PAYABLE

The aging of accounts payable and bills payable based on invoice date is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Less than 3 months	**167,296**	164,294
3 months to 6 months	**3,941**	3,014
Over 6 months	**3,595**	3,189
	174,832	170,497

The majority of payment terms with suppliers are within 60 days.

The carrying amounts of accounts payable and bills payable approximate their fair values.

28. ACCOUNTS PAYABLE AND BILLS PAYABLE (Continued)

The carrying amounts of accounts payable and bills payable are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
United States dollars	**96,686**	109,266
Hong Kong dollars	**21,324**	25,534
Renminbi	**52,820**	29,770
Others	**4,002**	5,927
	174,832	170,497

29. ACCRUALS AND OTHER PAYABLES

Accruals and other payables mainly consist of the current portion of license fees payable, payables for construction-in-progress, accrued employee benefit expenses and other operating expenses.

30. BANK BORROWINGS

As at 31 December 2014, the Group's bank borrowings were unsecured, of which approximately HK$443,800,000 (2013: HK$403,753,000) were covered by corporate guarantees given by the Company. The bank borrowings were due for repayment within three months. As at 31 December 2014, bank borrowings of HK$433,635,000 (2013: HK$285,406,000) and HK$10,165,000 (2013: HK$118,347,000) bore interest at fixed rates and floating rates respectively. The interest rates of the bank borrowings ranged from 1.2% to 2.1% per annum (2013: 1.1% to 1.6% per annum).

Bank borrowings are denominated in the following currencies:

	Group	
	2014 HK$'000	2013 HK$'000
United States dollars	**407,800**	369,422
Hong Kong dollars	**36,000**	16,000
Euro	**–**	18,331
	443,800	403,753

The fair value of the Group's bank borrowings equal their carrying amount, as the impact of discounting is not significant due to their short-term maturity.

31. RETIREMENT BENEFITS AND OTHER POST RETIREMENT OBLIGATIONS

	Group	
	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Defined contribution plans *(Note (a))*	**–**	1,167
Defined benefit plans *(Note (b))*	**(6,988)**	(8,538)
Long service payment liabilities *(Note (c))*	**19,906**	16,473
	12,918	9,102
Included in non-current assets	**(7,080)**	(12,211)
Included in non-current liabilities	**19,998**	21,313
	12,918	9,102

Notes:

(a) Defined contribution plans

During the year ended 31 December 2014, forfeited contributions of HK$85,000 (2013: HK$16,000) were utilised, and there were no forfeited contributions outstanding as at 31 December 2014 (2013: Nil) available to reduce future contributions.

The Group operates/participates in the following defined contribution plans:

(i) A defined contribution scheme for employees in Hong Kong, under which the Group and its employee each contribute 5% of the employee's salaries. The forfeited contributions made by the Group and the related accrued interest are used to reduce the Group's future employer contribution.

(ii) The Mandatory Provident Fund Scheme for employees in Hong Kong, under which the Group and its employee each makes monthly contribution to the scheme at 5% of the qualifying earnings of the employee, subject to a monthly cap of HK$1,500 effective from 1 June 2014.

(iii) The Group's subsidiaries in the Mainland China contribute 10% to 22% of the basic salaries of their employees to retirement schemes operated by municipal governments. Under the schemes, the employees also contribute 8% of their basic salaries.

31. RETIREMENT BENEFITS AND OTHER POST RETIREMENT OBLIGATIONS (Continued)

Notes (Continued):

(a) Defined contribution plans (Continued)

(iv) The Group's subsidiaries in Thailand operate defined contribution plans, under which the Group generally contributes 5% of participating employees' salaries and the employees contribute 5% of their salaries.

(v) From 1 July 2005, the Group's subsidiaries in Taiwan operate defined contribution plans pursuant to the Labour Pension Act as a choice available to their employees. Under the plans, the Group generally contributes 6% of the participating employees' salaries to their personal accounts kept by the Labour Insurance Bureau on a monthly basis. Contributions from employees are on a discretionary basis.

(vi) The Group's subsidiaries in the UK operate a defined contribution scheme for employees in the UK, under which the subsidiaries contribute 7.5% of the employees' monthly salaries.

Other than the mandatory contributions made by the Group under the respective defined contribution plans, the Group has no further obligations for the actual pension payments or any post retirement benefits.

(b) Defined benefit plans

The Group operates/participates in the following defined benefit plans:

(i) A defined benefit retirement plan for the Group's subsidiaries in the Philippines. The Group bears the full cost of all plan benefits and the plan assets are invested mainly in a fixed income fund through third party trustee. The benefits are based on a prescribed percentage of the final monthly basic salary and the period of credited services.

(ii) A defined benefit retirement scheme operated by the Group's subsidiaries in Taiwan. The Group bears the full cost of all benefits and the assets for the benefits are invested through the Bank of Taiwan in a balanced portfolio of cash, fixed income and equity investments. The benefits are based on the average monthly salary for the six months immediately preceding the date of cessation of service with the Group.

The latest actuarial valuations of the above plans were performed by BMI Appraisals Limited, an independent professional valuation firm, as at 31 December 2014, using the projected unit credit method. Based on the actuarial reports, the aggregate market value of the plan assets as at 31 December 2014 was HK$23,536,000, representing approximately 142% of the actuarial accrued liabilities at that date.

The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 December 2014 *HK$'000*	As at 31 December 2013 *HK$'000*
Present value of funded obligations	**16,548**	15,637
Fair value of plan assets	**(23,536)**	(24,175)
Net defined benefit plan assets	**(6,988)**	(8,538)
Represented by:		
Net defined benefit plan assets	**(7,080)**	(12,211)
Net defined benefit plan liabilities	**92**	3,673
	(6,988)	(8,538)

The amounts recognised in the consolidated income statement are as follows:

	2014 *HK$'000*	2013 *HK$'000*
Current service cost	**806**	746
Net interest income	**(245)**	(175)
Total, included in employee benefit expenses	**561**	571

Changes in the present value of the defined benefit obligations are as follows:

	2014 *HK$'000*	2013 *HK$'000*
As at 1 January	**15,637**	16,240
Current service cost	**806**	746
Interest expense	**505**	533
Remeasurement – loss/(gain) arising from changes in demographic assumptions	**566**	(653)
Remeasurement – loss/(gain) arising from changes in financial assumptions	**165**	(399)
Exchange differences	**(547)**	(830)
Benefits paid from the plan	**(584)**	–
As at 31 December	**16,548**	15,637

31. RETIREMENT BENEFITS AND OTHER POST RETIREMENT OBLIGATIONS (Continued)

Notes (Continued):

(b) Defined benefit plans (Continued)

Changes in the fair value of plan assets are as follows:

	2014 *HK$'000*	2013 *HK$'000*
As at 1 January	**24,175**	25,087
Interest income	**750**	708
Remeasurement – return on plan assets, excluding amounts included in interest income	**(39)**	52
Contributions by employer	**114**	310
Exchange differences	**(971)**	(1,066)
Withdrawal from the plan	**–**	(916)
Benefits paid from the plan	**(493)**	–
As at 31 December	**23,536**	24,175

The principal actuarial assumptions used are as follows:

	2014	2013
Discount rate	**2% to 5%**	2% to 5%
Expected rate of future salary increase	**3% to 5%**	3% to 5%

The Group expects to contribute HK$174,000 to its defined benefit plans in the year ending 31 December 2015 (2014: HK$141,000). The weighted average duration of the defined benefit obligations is 12 years.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2014	2013
Deposits with financial institutions	**13.7%**	17.8%
Bonds	**49.8%**	49.2%
Stocks	**32.1%**	29.9%
Other assets	**4.4%**	3.1%
Represented by:		
Assets have a quoted market price	**82%**	79%
Assets do not have a quoted market price	**18%**	21%

The most significant risk facing the defined benefit plans of the Group is market risk including price risk, interest rate risk and foreign exchange risk. Market risk is managed principally through diversification of investments by third party trustees. The long-term strategic asset allocations would also be monitored by third party trustees periodically taking into account of the liability profile of the plans.

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Impact on defined benefit obligations		
Principal assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 5.4%	Increase by 5.9%
Salary growth rate	0.50%	Increase by 5.8%	Decrease by 5.4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(c) Long service payment liabilities

(i) Under the Hong Kong Employment Ordinance, the Group is obliged in certain circumstances to make long service payments on cessation of employment to certain employees in Hong Kong who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary (or, at the option of the employee, the average salary for the 12 months prior to cessation of employment, subject to an average monthly salary of HK$22,500) and years of service, and is reduced by entitlements accrued under the Group's defined contribution retirement scheme.

(ii) Under the Labor Protection Act of Thailand (A.D. 1998), the Group is obliged to make severance pay on cessation of employment to the employees who have been regularly employed by the Group for more than 120 days. The amount payable is dependent on the employee's final salary and years of service. The Group does not set aside any asset for the obligation arising from severance pay.

(iii) Under the labour law of Vietnam, the Group is obliged to make severance pay on cessation of employment to the employees who have been employed by the Group for more than 12 months. The amount payable is dependent on the employee's average salary for the six months prior to the termination and years of service up to 31 December 2008. The Group does not set aside any asset for the obligation arising from severance pay.

31. RETIREMENT BENEFITS AND OTHER POST RETIREMENT OBLIGATIONS (Continued)

Notes (Continued):

(c) Long service payment liabilities (Continued)

The latest actuarial valuations of the Group's major obligations of long service payment liabilities as at 31 December 2014 were carried out by BMI Appraisals Limited, an independent professional valuation firm, using the projected unit credit method.

	As at 31 December 2014 *HK$'000*	As at 31 December 2013 *HK$'000*
Liability in the statement of financial position:		
Present value of unfunded obligations	**19,906**	16,473

The amounts recognised in the consolidated income statement are as follows:

	2014 *HK$'000*	2013 *HK$'000*
Current services cost	**174**	180
Interest cost	**791**	780
Total, included in employee benefit expenses	**965**	960

Movement in the present value of unfunded obligations:

	2014 *HK$'000*	2013 *HK$'000*
As at 1 January	**16,473**	17,228
Current service cost	**174**	180
Interest expense	**791**	780
Benefit paid by employer	**(541)**	(375)
Remeasurement – loss arising from changes in demographic assumptions	**784**	4,271
Remeasurement – loss/(gain) arising from changes in financial assumptions	**2,324**	(4,528)
Exchange difference	**(99)**	(1,083)
As at 31 December	**19,906**	16,473

The principal actuarial assumptions used are as follows:

	2014	2013
Discount rate	**2% to 8%**	3% to 9%
Expected rate of future salary increase	**3% to 10%**	3% to 7%

The weighted average duration of the long service payment liabilities is 13 years.

The sensitivity of the present value of unfunded obligations to changes in the weighted principal assumptions is:

	Impact on present value of unfunded obligations		
Principal assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 5.7%	Increase by 6.1%
Salary growth rate	0.50%	Increase by 6.0%	Decrease by 5.7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

32. LICENSE FEES PAYABLE

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**66,104**	62,534
In the second year	**27,412**	72,426
In the third to fifth year	**–**	29,059
	93,516	164,019
Less: Imputed interest on license fees payable	**(3,032)**	(7,756)
Present value	**90,484**	156,263
Less: Current portion included in accruals and other payables	**(66,104)**	(62,534)
Non-current portion	**24,380**	93,729
Estimated fair value of:		
Current portion	**66,104**	62,534
Non-current portion	**26,491**	97,464

Note:

License fees payable represents the contractual obligations at the time of recognition. It is recognised based on discount rates of 3.0% to 5.0% per annum at the date of inception of such obligations, which were determined by reference to the Group's weighted average external borrowing rate.

The carrying amounts of license fees payable are denominated in the following currencies:

	2014	2013
	HK$'000	*HK$'000*
United States dollars	**33,115**	49,894
Euro	**57,369**	106,369
	90,484	156,263

The estimated fair value as at 31 December 2014 was calculated based on discount rates of 1.5% to 1.9% (2013: 1.8%) per annum, which were determined by reference to the external borrowing rate to the Group.

33. DEFERRED INCOME TAX ASSETS/LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances shown in the statement of financial position, after appropriate offsetting, are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred income tax assets to be recovered:				
– After 12 months	**26,090**	36,907	**–**	167
– Within 12 months	**7,687**	8,211	**–**	–
	33,777	45,118	**–**	167
Deferred income tax liabilities to be realised:				
– After 12 months	**(55,149)**	(52,713)	**–**	–
– Within 12 months	**(3,631)**	(3,603)	**(10)**	–
	(58,780)	(56,316)	**(10)**	–
Net deferred income tax (liabilities)/assets	**(25,003)**	(11,198)	**(10)**	167

33. DEFERRED INCOME TAX ASSETS/LIABILITIES (Continued)

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

Deferred income tax assets

	Group							
	Provisions		Decelerated tax depreciation		Tax losses		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 January	**44,986**	37,308	**6,071**	7,562	**810**	–	**51,867**	44,870
Exchange differences	**(36)**	(548)	**(1)**	(41)	**–**	–	**(37)**	(589)
Recognised in the consolidated income statement	**(5,132)**	8,382	**(5,537)**	(1,450)	**(320)**	810	**(10,989)**	7,742
Credited/(charged) to other comprehensive income	**741**	(156)	**–**	–	**–**	–	**741**	(156)
As at 31 December	**40,559**	44,986	**533**	6,071	**490**	810	**41,582**	51,867

The Company's deferred income tax asset was arisen from decelerated tax depreciation. During the year ended 31 December 2014, HK$177,000 was charged (2013: HK$68,000 was credited) to the income statement.

Deferred income tax assets are recognised for tax losses 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$28,556,000 (2013: HK$31,639,000) for tax losses that can be carried forward against future taxable income. Cumulative tax losses of HK$62,542,000 (2013: HK$60,659,000) can be carried forward indefinitely; cumulative tax losses of HK$35,411,000 (2013: HK$68,767,000) will expire (if not utilised) within the next five years; and cumulative tax losses of HK$37,805,000 (2013: HK$18,226,000) will expire (if not utilised) from the sixth to tenth years.

Deferred income tax liabilities

	Group							
	Accelerated tax depreciation		Withholding tax for distribution of retained earnings of overseas subsidiaries		Fair value adjustments on business combination		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 January	**1,441**	1,198	**42,936**	34,326	**18,688**	22,406	**63,065**	57,930
Exchange differences	**–**	–	**–**	76	**(55)**	(1,327)	**(55)**	(1,251)
Recognised in the consolidated income statement	**(81)**	243	**6,214**	8,482	**(2,427)**	(2,391)	**3,706**	6,334
(Credited)/charged to other comprehensive income	**–**	–	**(131)**	52	**–**	–	**(131)**	52
As at 31 December	**1,360**	1,441	**49,019**	42,936	**16,206**	18,688	**66,585**	63,065

34. SHARE CAPITAL

	2014 HK$'000	2013 HK$'000
Authorised:		
500,000,000 (2013: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid:

	2014 Number of shares	2014 HK$'000	2013 Number of shares	2013 HK$'000
As at 1 January	**270,779,253**	**27,078**	270,370,253	27,037
Shares issued during the year	**412,000**	**41**	409,000	41
As at 31 December	**271,191,253**	**27,119**	270,779,253	27,078

35. RESERVES

Group

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Remeasure-ments reserve HK$'000	Hedging reserve HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2014	12,631	112,403	105,559	153,826	1,465	–	15,024	265,630	117,413	645,438	1,429,389
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	–	–	148,277	148,277
Other comprehensive income											
Net fair value losses on cash flow hedges	–	–	–	–	–	–	(28,684)	–	–	–	(28,684)
Remeasurements of defined benefit plans	–	–	–	–	–	(3,878)	–	–	–	–	(3,878)
Deferred income tax credited to other comprehensive income *(Note 33)*	–	–	–	–	–	872	–	–	–	–	872
Realisation upon disposal of a subsidiary	–	–	–	3,742	–	–	–	–	–	–	3,742
Currency translation differences	–	–	–	(8,903)	–	–	–	–	–	–	(8,903)
Total comprehensive income	–	–	–	(5,161)	–	(3,006)	(28,684)	–	–	148,277	111,426
Transactions with owners											
Transfer of reserves to offset deficits of Taiwan subsidiaries	–	–	(9,308)	–	–	–	–	–	–	9,308	–
Transfer	–	–	(6,241)	–	–	3,006	–	–	–	3,235	–
Issue of shares pursuant to exercise of share options	775	–	–	–	(219)	–	–	–	–	–	556
Share option scheme – value of employee services	–	–	–	–	392	–	–	–	–	–	392
Dividends paid to equity holders of the Company	–	–	–	–	–	–	–	–	–	(16,247)	(16,247)
Total transactions with owners	775	–	(15,549)	–	173	3,006	–	–	–	(3,704)	(15,299)
As at 31 December 2014	13,406	112,403	90,010	148,665	1,638	–	(13,660)	265,630	117,413	790,011	1,525,516
Representing:											
Proposed dividend										16,271	
Others										773,740	
										790,011	

35. RESERVES (Continued)

Group (Continued)

	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserves *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Remeasure-ments reserve *HK$'000*	Hedging reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 January 2013	11,766	112,403	91,288	131,754	1,322	–	2,544	265,630	117,413	639,375	1,373,495
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	–	–	43,439	43,439
Other comprehensive income											
Net fair value gain on cash flow hedges	–	–	–	–	–	–	12,480	–	–	–	12,480
Remeasurements of defined benefit plans	–	–	–	–	–	1,360	–	–	–	–	1,360
Deferred income tax charged to other comprehensive income *(Note 33)*	–	–	–	–	–	(208)	–	–	–	–	(208)
Currency translation differences	–	–	–	22,072	–	–	–	–	–	–	22,072
Total comprehensive income	–	–	–	22,072	–	1,152	12,480	–	–	43,439	79,143
Transactions with owners											
Transfer	–	–	14,271	–	–	(1,152)	–	–	–	(13,119)	–
Issue of shares pursuant to exercise of share options	865	–	–	–	(174)	–	–	–	–	–	691
Share option scheme – value of employee services	–	–	–	–	400	–	–	–	–	–	400
Share options granted to employee lapsed	–	–	–	–	(83)	–	–	–	–	83	–
Dividends paid to equity holders of the Company	–	–	–	–	–	–	–	–	–	(24,340)	(24,340)
Total transactions with owners	865	–	14,271	–	143	(1,152)	–	–	–	(37,376)	(23,249)
As at 31 December 2013	12,631	112,403	105,559	153,826	1,465	–	15,024	265,630	117,413	645,438	1,429,389
Representing:											
Proposed dividend										16,247	
Others										629,191	
										645,438	

35. RESERVES (Continued)

Company

	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 January 2014	**12,631**	**1,465**	**321,020**	**110,000**	**293,478**	**738,594**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**43,850**	**43,850**
Total comprehensive income	**–**	**–**	**–**	**–**	**43,850**	**43,850**
Transactions with owners						
Issue of shares pursuant to exercise of share options	**775**	**(219)**	**–**	**–**	**–**	**556**
Share option scheme – value of employee services	**–**	**392**	**–**	**–**	**–**	**392**
Dividends paid to equity holders of the Company	**–**	**–**	**–**	**–**	**(16,247)**	**(16,247)**
Total transactions with owners	**775**	**173**	**–**	**–**	**(16,247)**	**(15,299)**
As at 31 December 2014	**13,406**	**1,638**	**321,020**	**110,000**	**321,081**	**767,145**
Representing:						
Proposed dividend					**16,271**	
Others					**304,810**	
					321,081	

	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 January 2013	11,766	1,322	321,020	110,000	240,462	684,570
Comprehensive income						
Profit for the year	–	–	–	–	77,273	77,273
Total comprehensive income	–	–	–	–	77,273	77,273
Transactions with owners						
Issue of shares pursuant to exercise of share options	865	(174)	–	–	–	691
Share option scheme – value of employee services	–	400	–	–	–	400
Share options granted to employee lapsed	–	(83)	–	–	83	–
Dividends paid to equity holders of the Company	–	–	–	–	(24,340)	(24,340)
Total transactions with owners	865	143	–	–	(24,257)	(23,249)
As at 31 December 2013	12,631	1,465	321,020	110,000	293,478	738,594
Representing:						
Proposed dividend					16,247	
Others					277,231	
					293,478	

35. RESERVES (Continued)

(a) Contributed surplus represents the excess in value of shares acquired in consideration for the issue of the Company's shares over the nominal value of those shares issued. Under Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable.

(b) Subsidiaries incorporated in Taiwan are required to set aside 10% of their net profit each year to reserve, according to Company Law in Taiwan. This appropriation is made in the following year until the accumulated reserve equals the paid-in capital. Such reserve can be used to offset a deficit or, when it has reached 50% of the paid-in capital, up to 50% thereof may be transferred to capital. The amount set aside is included under statutory reserve. Subsidiaries in Taiwan did not transfer any amount to the statutory reserve during the year ended 31 December 2014 (2013: Nil). During the year ended 31 December 2014, certain statutory reserves of two Taiwan subsidiaries were utilised to offset accumulated deficits brought forward from 2013. In addition, pursuant to a merger arrangement, one of the Taiwan subsidiaries was merged into the other subsidiary, and the amounts equivalent to the capital and reserves (including capital, statutory and general reserve) of the defunct subsidiary were distributed to its direct shareholder within the Group.

(c) The laws and regulations in the Mainland China require wholly foreign owned enterprises established in the Mainland China to provide for statutory reserves which are appropriated from net profit, based on profit reported in the statutory accounts. Certain subsidiaries in the Mainland China are required to allocate at least 10% of their after-tax profit to statutory reserves until the reserves have reached 50% of their registered capital. Statutory reserves can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. During the year ended 31 December 2014, subsidiaries in the Mainland China have transferred HK$10,638,000 (2013: HK$14,271,000) to statutory reserves.

(d) Capital reserve mainly relates to the amount transferred from retained earnings in connection with a declaration of stock dividend by a subsidiary during the year ended 31 December 2000.

36. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "2007 Share Option Scheme"), which will remain in force for ten years up to April 2017. Share options may be granted from time to time as determined by the Board, to directors and employees of the Group. The grantee is required to pay HK$1.00 upon acceptance of the options. The subscription price for the shares of the Company, which are the subject of the options, shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price and timing for the exercise of the option will be determined by the Board at the time the option is offered. The options may only be exercised if the grantee remains a director or an employee of the Group. The Group has no legal or constructive obligations to repurchase or settle these options in cash.

Details of the share options granted pursuant to the 2007 Share Option Scheme and the share options outstanding at 31 December 2014 are as follows:

	2014		2013	
	Average exercise price per share *HK$*	**Number of options**	Average exercise price per share *HK$*	Number of options
As at 1 January	**3.22**	**2,076,000**	2.80	2,099,000
Granted	**3.10**	**576,000**	3.92	508,000
Exercised	**1.45**	**(412,000)**	1.79	(409,000)
Lapsed		**–**	3.77	(122,000)
As at 31 December	**3.51**	**2,240,000**	3.22	2,076,000
Exercisable at 31 December	**3.48**	**1,474,000**	2.77	1,430,000

36. SHARE OPTION SCHEME (Continued)

The share options outstanding at the end of the year have the following vesting and expiry dates:

		Number of share options					
Date of grant	Participant	At 01/01/2014	Granted during the year	Exercised during the year	At 31/12/2014	Exercise price per share	Exercisable period
14/09/2009	Employees (in aggregate)	–	–	–	**–**	HK$1.45	14/09/2009 – 13/09/2014
		–	–	–	**–**	HK$1.45	14/09/2010 – 13/09/2014
		206,000	–	(206,000)	**–**	HK$1.45	14/09/2011 – 13/09/2014
		206,000	–	(206,000)	**–**	HK$1.45	14/09/2012 – 13/09/2014
21/06/2010	Employees (in aggregate)	66,000	–	–	**66,000**	HK$1.90	21/06/2010 – 20/06/2015
		66,000	–	–	**66,000**	HK$1.90	21/06/2011 – 20/06/2015
		122,000	–	–	**122,000**	HK$1.90	21/06/2012 – 20/06/2015
		162,000	–	–	**162,000**	HK$1.90	21/06/2013 – 20/06/2015
13/06/2011	Employees (in aggregate)	105,000	–	–	**105,000**	HK$4.01	13/06/2011 – 12/06/2016
		105,000	–	–	**105,000**	HK$4.01	13/06/2012 – 12/06/2016
		105,000	–	–	**105,000**	HK$4.01	13/06/2013 – 12/06/2016
		105,000	–	–	**105,000**	HK$4.01	13/06/2014 – 12/06/2016
18/06/2012	Employees (in aggregate)	80,000	–	–	**80,000**	HK$5.06	18/06/2012 – 17/06/2017
		80,000	–	–	**80,000**	HK$5.06	18/06/2013 – 17/06/2017
		80,000	–	–	**80,000**	HK$5.06	18/06/2014 – 17/06/2017
		80,000	–	–	**80,000**	HK$5.06	18/06/2015 – 17/06/2017
03/06/2013	Employees (in aggregate)	127,000	–	–	**127,000**	HK$3.92	03/06/2013 – 02/06/2018
		127,000	–	–	**127,000**	HK$3.92	03/06/2014 – 02/06/2018
		127,000	–	–	**127,000**	HK$3.92	03/06/2015 – 02/06/2018
		127,000	–	–	**127,000**	HK$3.92	03/06/2016 – 02/06/2018
09/06/2014	Employees (in aggregate)	–	144,000	–	**144,000**	HK$3.10	09/06/2014 – 08/06/2019
		–	144,000	–	**144,000**	HK$3.10	09/06/2015 – 08/06/2019
		–	144,000	–	**144,000**	HK$3.10	09/06/2016 – 08/06/2019
		–	144,000	–	**144,000**	HK$3.10	09/06/2017 – 08/06/2019
	Total	2,076,000	576,000	(412,000)	**2,240,000**		

The fair value of options granted during the year of 2014 determined using the Trinomial valuation model was HK$0.70 per option (2013: HK$0.77 per option). The significant inputs into the model are as follows:

	Year in which share options granted	
	2014	2013
Share price at the grant date	**HK$3.08**	HK$3.80
Exercise price	**HK$3.10**	HK$3.92
Dividend yield	**4%**	8%
Volatility	**36%**	43%
Annual risk-free interest rate	**1.3%**	0.8%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 260-week historical volatilities of comparable companies within the industry. The aggregate fair value of the above options granted during the year amounted to HK$401,000 (2013: HK$391,000) is to be recognised as employee benefit expense over the vesting periods together with a corresponding increase in equity.

The total amount of employee benefit expense recognised in the consolidated income statement for the year ended 31 December 2014 in relation to the 2007 Share Option Scheme amounted to HK$392,000 (2013: HK$400,000).

37. COMMITMENTS

(a) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings, as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Not later than 1 year	**61,733**	66,246
Later than 1 year and not later than 5 years	**54,619**	95,887
Later than 5 years	**6,973**	7,209
	123,325	169,342

(b) Capital commitments

The Group had no capital commitments as at 31 December 2014 and 2013.

38. RELATED PARTY TRANSACTIONS

The Group is controlled by Silver Tree Holdings Inc., which owns approximately 67.27% of the Company's issued shares as at 31 December 2014.

(a) Transactions with related parties

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	Group	
	2014	2013
	HK$'000	*HK$'000*
A related company		
Rental expense *(Note)*	**7,200**	6,870

Note:

The entire issued share capital of TDB Company Limited ("TDB"), a related company, is held by a discretionary trust of which two directors of the Company are eligible beneficiaries. Rental expense was paid to TDB for the leasing of factory, storage and ancillary office and was determined by reference to the tenancy agreement entered.

(b) Transactions with subsidiaries

	Company	
	2014	2013
	HK$'000	*HK$'000*
Transactions with subsidiaries		
Service fee charged to subsidiaries	**24,269**	22,774
Service fee charged by a subsidiary	**1,091**	1,043

(c) Transactions with key management

(i) Key management compensation

	Group	
	2014	2013
	HK$'000	*HK$'000*
Salaries, allowances and bonuses	**37,597**	34,455
Defined contribution plans	**327**	310
Share-based compensation expense – share options granted	**243**	240
	38,167	35,005

(ii) In June 2012, a subsidiary of the Group made a cash advance of HK$12,000,000 to a key management employee of the Group. Pursuant to the agreement, the cash advance is unsecured and bears interest at the Group's cost of borrowing. The short-term portion of the cash advance of HK$3,500,000 plus related interest was repayable within one year. The remaining long-term portion of HK$8,500,000 was to be waived by the subsidiary in equal amount semi-annually over a period of ten years commencing from the third year while the individual remains as an employee of the Group. Any unwaived principal plus related accrued interest will be repayable upon cessation of employment of the employee. The short-term portion of the cash advance is included in prepayments and other receivables. The long-term portion regarded as prepaid staff benefit is included in other long-term assets and is amortised over twelve years from the date of the advance. In June 2013 and June 2014, the subsidiary and the individual entered into amendment agreements to change the repayment date of the short-term cash advance of HK$3,500,000. Pursuant to the 2014 amendment agreement, such cash advance is repayable by HK$1,000,000 each on or before 30 June 2014 and 30 June 2015 respectively, with the remaining balance of HK$1,500,000 plus accrued interest repayable on or before 30 June 2016.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**236,539**	88,542
Adjustments for:		
Depreciation on property, plant and equipment	**78,533**	73,711
Provision for impairment of property, plant and equipment	**–**	7,250
Amortisation of leasehold land and land use rights	**4,170**	4,217
Amortisation of license rights	**62,033**	50,781
Net gain on disposal of freehold land and building	**(30,172)**	–
Net gain on disposals of property, plant and equipment	**(2,096)**	(438)
Net gain on disposal of a subsidiary	**(137,272)**	–
Impairment of goodwill	**20,893**	–
(Reversal of write-down)/write-down of inventories to net realisable value, net	**(8,672)**	15,742
Share-based compensation expense – share options granted	**392**	400
Provision for impairment of receivables, net	**265**	36
Overprovision of tax penalties	**–**	(21,600)
Finance income	**(14,741)**	(12,649)
Finance costs	**12,686**	12,684
Effect of foreign exchange rate changes	**(13,063)**	737
	209,495	219,413
Changes in working capital		
Increase in inventories	**(72,910)**	(32,620)
Increase in accounts receivable and bills receivable	**(39,607)**	(54,965)
Decrease/(increase) in prepayments and other receivables	**45,495**	(17,927)
Increase/(decrease) in accounts payable and bills payable	**4,335**	(33,544)
Increase in accruals and other payables	**1,266**	118,962
(Decrease)/increase in retirement benefits and other post retirement obligations	**(387)**	2,532
Cash generated from operations	**147,687**	201,851

(b) Net gain on disposal of a subsidiary:

As mentioned in Note 6, during the year ended 31 December 2014, the Group disposed of a subsidiary at a consideration of HK$171,800,000 and recognised a pre-tax gain on disposal of HK$137,272,000. The effect of the disposal is summarised as follows:

	HK$'000
Property, plant and equipment	**18,923**
Leasehold land and land use rights	**6,826**
Bank balance	**339**
Other payable and accruals	**(288)**
Net assets disposed	**25,800**
Expenses attributable to the disposal	**4,986**
Net gain on disposal	**137,272**
Translation reserve transferred to the consolidated income statement	**3,742**
Total consideration to be satisfied by cash (before netting of income tax)	**171,800**
Income tax	**(14,180)**
Total consideration receivable net of income tax included in prepayments and other receivables at 31 December 2014	**157,620**
Cash and cash equivalents disposed during the year	**339**

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Net gain on disposal of freehold land and building in Taiwan:

	2014 *HK$'000*	2013 *HK$'000*
Net book amount	**1,806**	–
Expenses attributable to disposal	**54**	–
Net gain on disposal	**30,172**	–
Disposal consideration	**32,032**	–
Expenses attributable to disposal	**(54)**	–
Net proceed from disposal	**31,978**	–

(d) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment other than freehold land and building in Taiwan and those included under disposal of a subsidiary, comprise:

	2014 *HK$'000*	2013 *HK$'000*
Net book amount	**1,480**	1,049
Net gain on disposals	**2,096**	438
Proceeds from disposals	**3,576**	1,487

40. ULTIMATE HOLDING COMPANY

The Board regards Silver Tree Holdings Inc., a company incorporated in the British Virgin Islands, as the ultimate holding company.