S.Culture
INTERNATIONAL HOLDINGS LIMITED

S. CULTURE INTERNATIONAL HOLDINGS LIMITED
港 大 零 售 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability) Stock code: 1255

Annual Report 2015

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chu Siu Ming *(Vice-Chairman)*
Mr. Chu Chun Ho, Dominic *(Co-Chief Executive Officer)*
Mr. Chu Chun Wah, Haeta *(Co-Chief Executive Officer)*

Non-executive Directors

Mr. Chong Hot Hoi *(Chairman)*
Mr. Chong Hok Hei, Charles
Mr. Yu Fuk Lun

Independent Non-executive Directors

Mr. Wan Kam To
Mr. Yau Tat Wang, Dennis
Mr. Lam Man Tin

Audit Committee

Mr. Wan Kam To *(Chairman)*
Mr. Yau Tat Wang, Dennis
Mr. Lam Man Tin

Remuneration Committee

Mr. Yau Tat Wang, Dennis *(Chairman)*
Mr. Chong Hot Hoi
Mr. Yu Fuk Lun
Mr. Wan Kam To
Mr. Lam Man Tin

Nomination Committee

Mr. Lam Man Tin *(Chairman)*
Mr. Chong Hot Hoi
Mr. Chu Siu Ming
Mr. Wan Kam To
Mr. Yau Tat Wang, Dennis

Authorized Representatives

Mr. Chu Chun Ho, Dominic
Mr. Chow Wing Hang, John

Chief Financial Officer

Mr. Ma Chun Fung, Horace

Company Secretary

Mr. Chow Wing Hang, John

Registered Office

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Flat F–J, 11th Floor
Block 2, Kwai Tak Industrial Centre
15–33 Kwai Tak Street
Kwai Chung
New Territories
Hong Kong

Stock Code

1255

Website

www.s-culture.com

Legal Adviser

Wilkinson & Grist
6th Floor, Prince's Building
10 Chater Road
Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Cayman Share Registrar

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar

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

Principal Bankers

Bangkok Bank Public Company Limited
Hang Seng Bank Limited

FINANCIAL HIGHLIGHTS

		For the year ended 31 December	
		2015	2014
Revenue	HK$'000	**561,028**	590,539
Gross profit	HK$'000	**347,494**	371,703
(Loss) profit before taxation	HK$'000	**(16,360)**	12,121
(Loss) profit attributable to owners of the Company	HK$'000	**(16,373)**	9,035
Gross profit margin	%	**61.9**	62.9
(Loss) profit margin attributable to owners of the Company	%	**(2.9)**	1.5
(Loss) earnings per share — basic	HK$	**(0.08)**	0.05

	As at 31 December	
	2015	2014
Current ratio	**1.7 times**	2.1 times
Gearing ratio (total debt to total equity)	**96.3%**	57.8%
Average trade receivables turnover period	**37.4 days**	32.9 days
Average trade payables turnover period	**11.1 days**	15.6 days
Average inventory turnover period	**375.2 days**	289.8 days

CHAIRMAN'S STATEMENT

Dear Shareholders,

I present to you the annual results of S. Culture International Holdings Limited (the "Company" or "S. Culture") and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2015.

Hong Kong retail sales suffered the worst annual decline last year since 2002, driven by a fall in the number of big spending tourists from the Mainland and weak consumer spending as the recent statistics released from various sources had proven. Apart from the continued slowdown in inbound tourism, the uncertain economic outlook and asset market corrections also played a part in denting local consumption sentiment as cited in a government statement.

Visitor arrivals to Hong Kong fell 2.5 percent in 2015 to 59.31 million, the first decline since 2003 when individual visit scheme for Mainland Chinese was first introduced. Adding to the burden of retailers was Hong Kong's comparatively high rents and wages while fewer Mainland tourists had come to the city shopping.

The strong Hong Kong dollar, which is pegged to the U.S. dollar, had also aggravated the situation as it had made the city an expensive destination compared with other proximate but more exotic tourist destinations in the region.

Against the above background, our retail segment in Hong Kong was much affected and thus the Group as a whole had recorded a same store sales decline of approximately 6.6% and a net loss of approximately HK$16.4 million for the year.

The net loss resulted was also contributed by some of our newly added retail outlets during 2014 and in the first half of 2015 as they were yet to break-even under the unfavorable atmosphere of the retail market during the year.

Outlook

Hong Kong is bracing for greater economic challenges as the prospective interest rate increase shall induce capital outflows that could pressure Hong Kong as the Asian financial hub at a time when China's economy is growing at its slowest pace in the past 25 years.

Looking ahead, the near-term outlook for retail sales will still be constrained by the weak performance of inbound tourism as cited by the government. We would also watch closely the impact from dimmer global economic prospects amid U.S. interest rate normalisation.

To this end, we had been imposing measures and applying more flexible operating tactics in order to minimize such effects to our operations as a whole. In the meantime, while there had been signs that the general operating costs, such as market rental level, were declining, we were still cautious about the other operating costs such as staffing and utilities as their nature was downward sticky. Again, we will continue to monitor the relevant economic conditions and the ever-changing retail landscape including costs pressure and to do our utmost to contain those costs to a reasonable level.

Despite the above, we still remain positive and maintain our belief in our business. While we are still experiencing unfavorable market drivers in the local retail market, we are still confident that the Group would be poised to be highly attentive to the changes in the retail market and apply the appropriate strategies to tackle the existing challenges and keep our pace for steady development, especially in the Mainland. We still hold the same view about Mainland consumer market and continue with our strategy to increase our presence in the Mainland. We have now expanded into cities of Shanghai, Qinhuangdao, Haikou, Qingdao, Songyuan, Zhengzhou, Harbin, Luoyang, Dandong and Beijing through collaborating with the local retailers. We are now operating four self-operated stores with our well received brands in the Mainland such as "Josef Seibel" and "The Flexx". We expect to increase our market share in the Mainland by utilizing both on- and off-line channels whichever is more effective in the case. As part of our holistic strategic plan in the long run, the Group would continue to capitalise on the Group's core competence, honor the core values of S. Culture and explore new opportunities to achieve sustainability and deliver optimal return to our shareholders.

Last but not the least, the board of directors of the Company (the "Board") is highly aware of the value of good corporate governance. The Board follows closely the latest and expected standards of corporate ethics and governance. In addition, we also observe our corporate social responsibilities by addressing the needs of our staff and contributing to the community. As you shall see in the section headed "Corporate Social Responsibilities", both the management and employees had enjoyed very much the charitable and other community contributing events during the year.

In view of the Group's operating results, the Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2015. Despite the above, we will strive to further enhance the Company's performance and optimise the return for our shareholders.

Finally, I would like to extend, on S. Culture's behalf, my heartfelt gratitude to the shareholders of the Company, members of the Board, management and staff of the Group and business associates for their continuing support to our Company.

CHONG HOT HOI
Chairman

Business Review

Principal Risks and Uncertainties

The Group's principal business activity is trading of footwear products, which business and profitability growth in the year ended 31 December 2015 ("the Year") is affected by the volatility and uncertainty of macro-economic conditions in Hong Kong, Taiwan, Macau and Mainland China. The Group is also exposed to a variety of key business risks and financial risks.

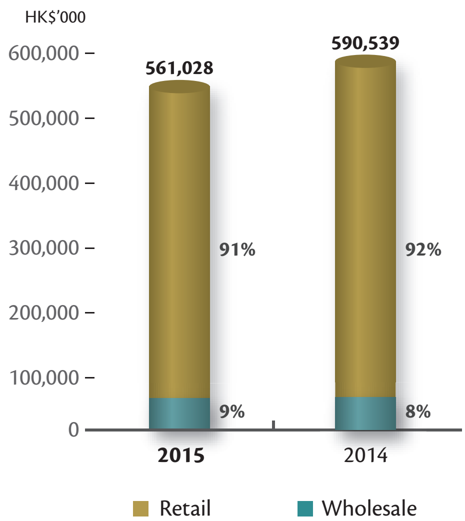
Our key business risks included our heavy dependence on a single major supplier, risk of excessive and obsolete inventory and risk relating to the commercial real estate rental market, including the unpredictable rental fluctuation and ability to secure existing retail outlets and obtaining suitable locations for our expansion of retail network.

The financial risks of the Group include foreign currency risk, interest rate risk, credit risk and liquidity risk. These financial risks, and risk management objectives and policies are elaborated in the below section headed "Foreign Currency Risk" and note 6 "Financial Instruments" to the consolidated financial statements of this annual report.

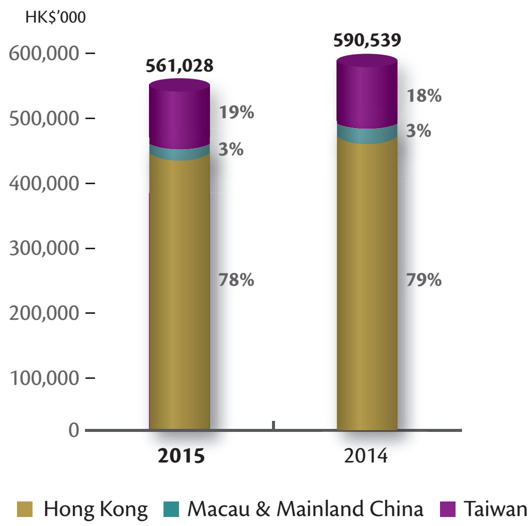
Retail Operation Review

Revenue of the Group's retail business for the Year was HK$513.1 million, representing a 5.2% decrease from HK$541.1 million for the even year of 2014. We had also recorded a 6.6% decrease in comparable retail outlet sales during the Year (2014: 9.5% increase). This was mainly due to the prolonged sluggishness of the consumer market resulting from the declining spending sentiments of both inbound tourists and local citizens under the prevailing economic and social conditions, which was manifested in the latest statistics of the retail sector released by the government. Our retail operations were thus affected further in the second half of 2015 by a number of unfavorable factors including but not limited to the slowing economic growth of Mainland China, the unexpected appreciation of Hong Kong dollars against Renminbi, the impact of high volatility in the local and regional stock markets, which further dampened the spending sentiments of general consumers.

Revenue by Distribution Channel



Revenue by Geography



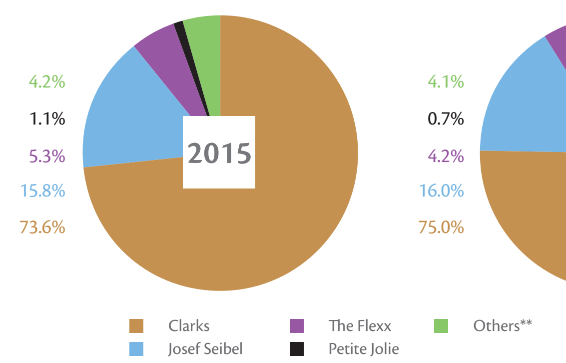
Hong Kong

Hong Kong is still contributing a majority of sales to the Group as we have 79 retail outlets in the locality. In light of the weakening general retail market, we had experienced a same store sales decline of approximately 8.0% in retail revenue from Hong Kong for the Year. During the Year, the operating costs in Hong Kong, including but not limited to staff costs and rental expenses, were stagnated at a high level in general and eroded profit margins of retailers. To enhance our efficiency and competitiveness, we suspended our salary increment plan in 2015 and continued to assess and rationalise our retail network in Hong Kong. While we were continuing to monitor the performance and productivity of each individual retail outlet on a regular basis and to close those under-performing retail outlets, we strategically relocated certain retail outlets to other prime shopping locations with lower rentals and opened new short-term lease promotion outlets. As at 31 December 2015, we had added 10 short-term lease promotion outlets in Hong Kong. The purpose of these short-term retail outlets were mainly to inject more flexibility into our sales platform to enhance better reach to our target customers and to ride on the declining trend of rentals in certain shopping areas. At this juncture of challenging times, we continued to pursue a more precise yet flexible sales tactics and stringent measures to contain our operating expenses at a stable and reasonable level with respect to the sales made and respond promptly to the ever-changing retail environment.

Taiwan

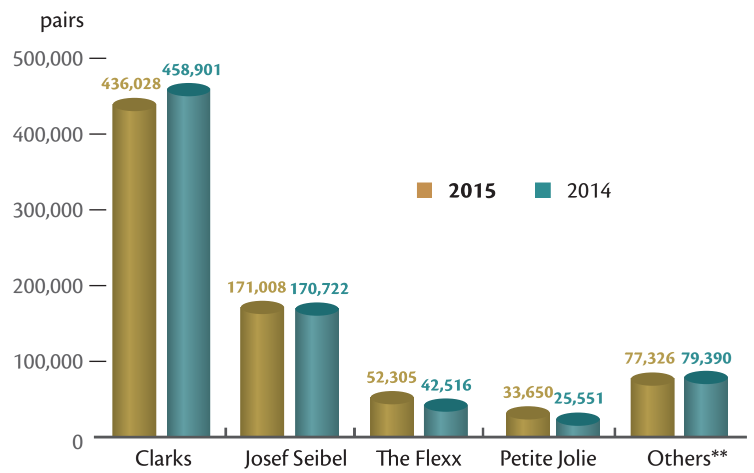
Taiwan economy is highly dependent on the international trade. Despite the export-reliant economy of Taiwan had grown at the slowest rate since 2010, we, excluding the effect of translating Taiwan dollars into Hong Kong dollars, charted a year-on-year growth rate of approximately 3.6% in

Revenue by Major Brands (in HK$)



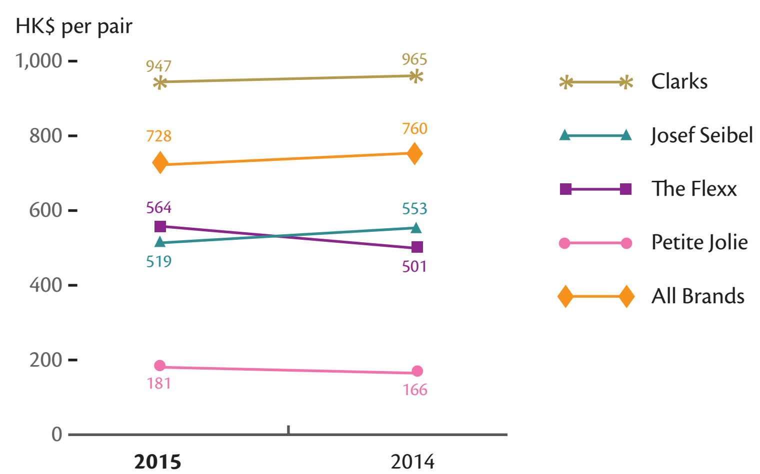
** Include footwear products of other brands and accessories

Revenue by Major Brands (in pairs)



** Include footwear products of other brands and accessories

Average Selling Price per Pair



revenue of our Taiwan operation for the Year. The Group increased the number of its retail outlets in Taiwan to 50 during the Year. We continued our Taiwan expansion strategy by identifying and increasing our retail outlets and counters in suitable department stores in 2015. In the past year, while we were increasing our sales presence in Taiwan, we were mindful of the ever-increasing costs of operations and were constantly reviewing and evaluating the effectiveness of our strategies. We also revamped our warehousing logistic arrangement and infrastructure to facilitate the effective and efficient logistics of products movement throughout Taiwan. The management continued with its flexible operating tactics and applied appropriate financial controls and measures in our Taiwan operation so as to achieve operational goals.

Macau

The Group had maintained the scale of operations in Macau to reap the highest return with the current level of investment amid the current level of economic conditions experienced in Macau. We maintained a comparable scale of retail network in Macau with two retail outlets in operation as at 31 December 2015.

Mainland China

Due to the slowdown of the Mainland China economy, which anti-graft measures and perpetuating domestic economic constraints had played a part, Mainland retailers continued facing a challenging environment in the China market, which was further aggravated by the ever-changing shopping habits of Mainland customers. However, we stay positive about the growth of Mainland China in the foreseeable future and remain cautious towards our expansion in Mainland market. We continued to implement the strategies steered by the Board to strengthen our business presence in the Mainland market. We continued to open our concession counters under the brands of "Josef Seibel" and "The Flexx" and actively collaborate with our local and experienced business partners to gradually expand our retail network and reach our target customers in the cities of Mainland China. As at 31 December 2015, the Group had four (2014: one) retail outlets and ten (2014: five) points of sales of our products under the brands of "Clarks", "Josef Seibel", "Petite Jolie" and "The Flexx" in the cities of Shanghai, Qinhuangdao, Haikou, Qingdao, Songyuan, Zhengzhou, Harbin, Luoyang, Dandong and Beijing. The management believed the business had been in the right course with expectation to record growth in both number of points of sales and sales in Mainland China in future.

Wholesale Operations

The Group's wholesale operations represent the other main segment of our overall operations. It complements our retail operations as our wholesale customers are helping our brands to further the reach to customers. The management expects this segment to continue to contribute to the Group as we shall continue to put in a reasonable level of operating resources to maintain the current scale of operations.

Prospects

There is a general understanding that the cyclic deterioration in the macro-economic environment and the ever-changing consumer behaviors would continue to exert pressure on general retailers under the retail atmosphere of weak consumer sentiments. We foresee enormous challenges ahead for the traditional brick and mortar retail sector in our area of operations.

Although we hold a conservative outlook towards the Hong Kong retail market in the short run, we are working meticulously to execute our forward-looking strategies and actions to improve our sales and performance. In this regard, the management will continue to rationalise its retail network and to monitor its costs of operations. The Group will cautiously identify suitable target locations and cities to expand our scale of operations in the Mainland China. In addition to physical retail outlets, the Group will also explore new business opportunities and initiatives by utilizing online sales platforms and marketing channels to increase our market share in the Mainland China. The embarking on omni-retailing channel could help us to unearth potential opportunities and growth areas there.

Whenever there is a challenge, we see an opportunity. Hong Kong retail sector is undergoing a structural shift. Large and luxury retailers are reshuffling their retail networks which shall release more retail space to the market. This in turn shall press the landlords to lower their asking rents in the medium term. Secondly, more shopping malls are looking forward to diversify their tenant compositions and offer more flexible leasing terms to mid-range retailers. We will keep an eye on the economic indicators and monitor changes to the retail market so as to revisit our existing business strategies to maximize our return.

While the retail sector is experiencing a prolonged and secular downturn last year, we believe that the current sluggishness of the retail sector shall bottom out. We are confident that the Group's solid foundation in its abundance of experience and exclusivity of branded footwear distributorships, dedication in pursuing excellence in product and service quality and relentless execution of sustainable business development strategies shall guide the Group to cut through the challenges and seize the opportunities during market recovery in the foreseeable future.

Financial Review

Revenue

Revenue of the Group's business for the Year was HK$561.0 million, representing a 5.0% decrease from HK$590.5 million for the even year of 2014.

With regard to the sales of the major brands under exclusive distribution agreements for the Year compared with the even year of 2014, sales of "Clarks" footwear products had decreased by 6.8%. Sales of "Josef Seibel" footwear products had decreased by 6.0% while sales of "The Flexx" and "Petite Jolie" footwear products had recorded growth rates of 19.4% and 43.4% respectively. The growth in sales of "The Flexx" and "Petite Jolie" is an encouraging performance indicator that reaffirms our strategy in introducing and cultivating quality brands in our target market.

As at 31 December 2015, the Group operated 79 retail outlets in Hong Kong, two retail outlets in Macau, four retail outlets in Mainland China, and 50 retail outlets in Taiwan. As at the even date of 2014, the Group operated 70 retail outlets in Hong Kong, two retail outlets in Macau, one retail outlet in Mainland China and 49 retail outlets in Taiwan.

Cost of Goods Sold

Our cost of goods sold amounted to HK$213.5 million for the Year, representing 38.1% of revenue (2014: HK$218.8 million, representing 37.1% of revenue). The decrease in cost of goods sold was mainly due to the decrease in sales activities of the Group resulted from the negative retail sentiment.

Gross Profit

Gross profit (gross profit equals to revenue minus cost of goods sold) of the Group for the Year was HK$347.5 million, representing a decrease of 6.5% from HK$371.7 million of 2014. Gross profit margin of the Group for the Year was 61.9% (2014: 62.9%). There was a drop of the gross profit margin as we had offered promotions and discounts to maintain market shares especially in the fourth quarter of 2015. The opening of short term promotion outlets in the fourth quarter of 2015 had also driven down our gross profit margin.

Depreciation

Depreciation accounted for 2.3% of revenue for the Year (2014: 2.4%).

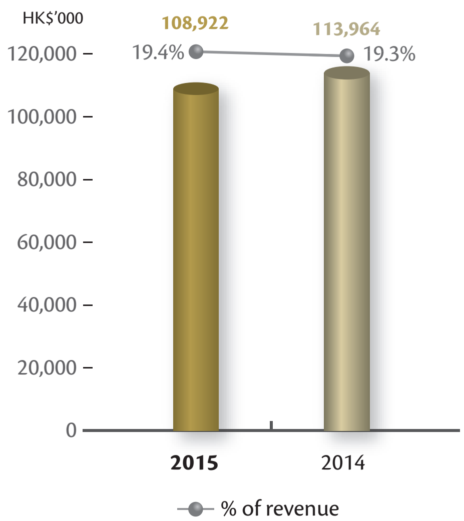
Staff Costs

Staff costs for the Year were HK$108.9 million, representing 19.4% of revenue (2014: HK$114.0 million, representing 19.3% of revenue). The decrease in overall staff costs was mainly due to the suspension of salary increment plan in 2015 and the general decrease in commissions, as part of salaries, which decreased with sales targets determined and made during the Year.

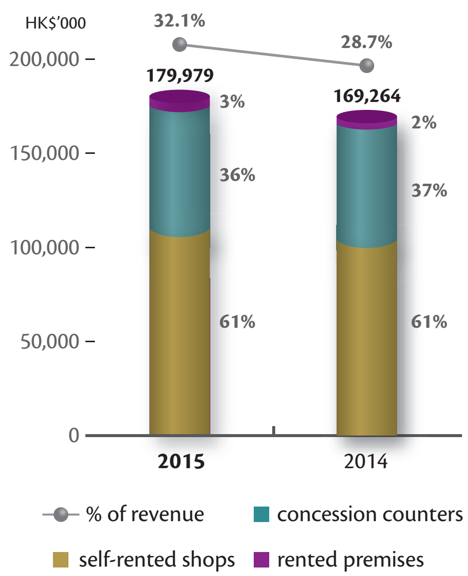
Retail Outlet Rentals and Related Expenses

Our retail outlet rentals and related expenses for the Year amounted to HK$180.0 million, representing 32.1% of revenue (2014: HK$169.3 million, representing 28.7% of revenue). The increase in the retail outlet rentals and related expenses was mainly due to the increase in the number of our retail outlets during the Year. Our concession fees for the Year amounted to HK$65.2 million (2014: HK$63.1 million). Such increase was mainly due to the corresponding increase in the sales made through these concessions, based on which part of the fees were charged.

Staff Costs



Retail Outlet Rentals and Related Expenses



Finance Costs

Our finance costs for the Year amounted to HK$3.1 million (2014: HK$2.0 million). The finance costs were mainly interest expenses incurred on the mortgage facilities for our office premises in Taiwan and trade related financing facilities with banks. The effective interest rates on the Group's borrowings ranged from 1.5% to 2.5% (2014: 1.5% to 3.0%).

(Loss) Profit Before Tax

As a result of the foregoing, our loss before tax for the Year was HK$16.4 million as compared to profit before tax of HK$12.1 million for the year ended 31 December 2014.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows and bank borrowings. As at 31 December 2015, the Group had bank deposits and cash amounting to HK$32.6 million (2014: HK$70.8 million), representing a decrease of 54.0% from 31 December 2014. Most bank deposits and cash were denominated in Hong Kong dollars.

As at 31 December 2015, the Group had short term bank borrowings amounting to HK$199.1 million (2014: HK$126.2 million), representing an increase of 57.8% from 31 December 2014. As at 31 December 2015, the Group had long term bank borrowings, comprising mainly mortgage for our office premises in Taiwan, amounting to HK$10.2 million (2014: HK$11.8 million), representing a decrease of 13.6% from 31 December 2014.

Foreign Currency Risk

The Group's sales and purchases for the Year were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, New Taiwan dollars, Euros and US dollars. The Renminbi is not a freely convertible currency. The currency market for Macau Pataca is relatively small and undeveloped. Therefore, our ability to convert large amounts of Macau Pataca into Hong Kong dollars over a relatively short period may be limited. The exchange of New Taiwan dollars is restricted and governed by various government rules regarding the application of outward remittance. In view of the above, future exchange rates of the above currencies could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the respective governments and the depth and breadth of the respective markets of currency exchange. The respective exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the respective currencies. The appreciation or devaluation of the respective currencies against Hong Kong dollars may have an impact on the Group's results.

Human Resources

As at 31 December 2015, the Group employed approximately 481 employees (2014: 476). Remuneration packages are generally structured by reference to market terms and individual qualifications and experience.

During the Year, various training activities, such as training of product and service knowledge, management skills as well as local consumer laws, have been conducted to improve the quality of sales services. Further details are elaborated in the section headed "Caring for our Employees" under the "Corporate Social Responsibilities".

Share Information

The average closing price of the Company's shares during the Year was HK$1.79, with the highest closing price of HK$2.45 achieved on 22 June 2015 and the lowest closing price of HK$1.22 achieved on 8 July 2015.

Dividends

On 8 June 2015, the Company recognised as a distribution and paid a final dividend of HK2.3 cents per share in respect of the year ended 31 December 2014, representing a total of approximately HK$4.6 million.

The Board has resolved not to recommend the payment of a final dividend for the Year.

Total Shareholder Return

Total shareholder return ("TSR") is calculated based on capital gains and dividends of the shares. The Company had a TSR of approximately 17.7% for the Year.

To show our strong commitment towards the community, S. Culture endeavours to undertake responsibilities and obligations as a corporate member of the community by contributing to the environmental protection, social progress and development with more initiatives during the Year.

Environmental Policies and Performance

S. Culture recognises the importance of green culture and the increasing public awareness on environmental issues. The Group has put more effort integrating business performances with environmental and resources efficiency considerations. We have implemented a number of environment-friendly measures in our operations and workplaces including but not limited to our retail shops, warehouses and office areas.

For retail shops, the Group has implemented energy saving practices by continuing to increase the use of LED lighting fixtures. In addition to the energy efficient lighting equipment, the Group has also rescheduled certain stores operating hours to reduce our utility consumption. This has benefited both the environment in terms of energy consumption and operating costs reduction.

We have actively encouraged our staff to reduce printing and to make use of duplex printing for internal documents. Recycled papers have also been used as key printing materials. The Group has also started to install inverter air-conditioning to achieve the energy efficient standards and reused furniture in warehouses and offices, wherever and whenever practicable.

To strengthen our attention to environmental protection measures, we have planned to establish a team of environmental, social and governance taskforce with representatives from major departments, with the endorsement of the Board. We will broaden the scope of our green agenda and identify energy improvement opportunities in order to uphold our sustainable development and environment-friendly and care attitude in the workplace.

Encouraging Innovation

S. Culture is one of the "Silver Diamond" sponsoring organizations of the 2015 Young Entrepreneur competition organized by the Youth Council (the "Council"). The participating teams are required to submit their creative business plans and meet with professional consultants from the Youth Council to exchange ideas. After several rounds of interviews and presentations, the winning teams will receive HK$150,000 from the Council as start-up capital.

S. Culture was delighted to support this event again and raised from Star sponsor in 2013 to Silver Diamond sponsor in 2015 as this competition can encourage our next generation to bring in more creative ideas to the community, to kindle the innovation of the budding entrepreneurs and to ignite the future and growth of new enterprises.

Caring for the Disabled

In March 2015, S. Culture had donated to the Community Chest of Hong Kong through the participation and support of the Community Chest Bank of China (Hong Kong) Charity Golf Day in association with the Hong Kong Golf Club. All funds raised through this event would benefit the "service for mentally ill and ex-mentally ill" supported by the Community Chest.

Besides Hong Kong, S. Culture has also continued our commitment to be a responsible corporate citizen in Taiwan. We had co-operated with Happy Mount Nursing Institution to set up a campaign called "Clarks x Happy Mount — A Perfect Dream Plan". The mission of Happy Mount Nursing Institution is to provide 24 hours caring service to the disabled who are multiple or mentally handicapped and to offer resources support to the needy people in the remote districts of Taiwan.

Throughout this charity campaign from January to March 2015, the customer was entitled to 15% discount on regular priced Clarks branded footwear in our retail outlets. For every customer purchase of single pairs and two or more pairs of shoes, S. Culture would donate TW$100 and TW$200, respectively to Happy Mount Nursing Institution. In addition, the customer would be given a small smiley card to write down the name of the donor which would be stuck to our charity card board for recognition. A total sum of NT$200,000 was raised through this event, which together with the charity card board were presented to Happy Mount Nursing Institution in the celebration ceremony convened on July 2015. This charity event was of great success and meant very much to S. Culture as this was reflected on the happy faces of the participants.

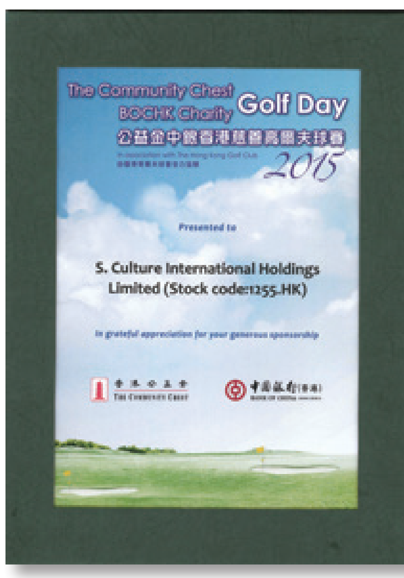
Another charity campaign conducted through our selected retail outlets at Taiwan was held for the 30th of every month since August 2015. The customer was entitled to a 20% discount on regular priced Clarks branded footwear upon donation of either children tooth brushes or towels. These hygiene consumables were then passed to Happy Mount Nursing Institution for their further distribution to the needy in Taiwan.

S. Culture has a strong retail presence in Taiwan Through the selling of quality products and providing excellent shopping experience brings quality and kind-hearted customers who also share our love and care to the Taiwan community.

Caring for the Elderly

Our S. Culture social service team was established successfully two years ago, with the aim of bringing our compassionate staff members together to participate in social and charitable activities in town to exhibit our caring culture to the community. Riding on the success of last year Mid-Autumn Festival elderly home visits, our social service team was very pleased to participate in elderly visits organized by H. K. S. K. H. Lok Man Alice Kwok Integrated Service Centre again in June 2015. The main theme of these visits was to share the joyful spirit of Dragon Boat Festival and express our love and care to the needy elderly in To Kwa Wan district. During the visits, we shared with the elderly rice dumplings and happiness with them. This meaningful and pleasant event continued to foster us to provide more love and care to the elderly within our families and our community.

Apart from our direct involvement in charity and social community events during the year, S. Culture had donated HK$50,000 to the Community Chest of Hong Kong to support the 2015 Community Chest Corporate Challenge. All funds raised through the event would be allocated to support "Elderly Services" provided by the member social welfare agencies of the Community Chest.



Nurturing Talents

S. Culture is continuing its participation in Industrial Attachment Programme ("IAP") organized by IVE in January 2016. IAP is an integrated component of the Business Administration Higher Diploma curriculum. The main purposes of IAP are (i) to enable students to experience real life workplace challenges through working in corporate organisation, (ii) to facilitate students' transition from study to work by developing team work, problem solving skills, practical skills, appropriate work attitude and value, and (iii) to enhance students' employability. S. Culture would provide one-day company orientation programme to the students to let them understand S. Culture's corporate background, the brands and platforms and the general retail operational landscape. S. Culture would also assigned mentors for students to take part in the daily process of retail operations. Certificates would be awarded to students upon completion of the program.

Caring for our Employees

S. Culture recognizes employees as important assets to us. We invest and entrust in their future as we believe human capital is part and parcel of the Group. S. Culture's continued success depends on the commitment, enthusiasm and energy of our employees. We are committed to developing a positive and respectable working environment that encourages collaboration and cooperation between employees across departments. We place heavy emphasis on training and development opportunities together with social activities to all our employees, with appropriate incentivizing schemes for them to progress together with the business.

To conform with S. Culture's enhancement on service qualities and strengthen the capabilities of our employees, S. Culture places adequate and appropriate resources on training and staff development opportunities. Our comprehensive training program cover a wide range of curriculum, which includes quality service skills, retail and sales techniques, product knowledge, language skills, management skills and interpersonal skills. The total number of training hours delivered is over 4,000 hours a year. These training programs help enhance our employees' productivity and effectiveness in operation with better and more in-depth understanding of our business and products as well as their self development.

In addition to the training and development opportunities, S. Culture would organise regular retail staff gatherings to promote team spirits and senses of belonging to the Company. We award retail staffs with outstanding sales performance and significant improvement with certificates during these gatherings which serve as recognition and our appreciation of their effort and contribution towards our business. S. Culture has organised a series of activities to enable our colleagues to develop their interests and talents outside of work and to maintain work-life balance.

Awards and Recognition

The trade names of the Group including S. Culture, Clarks, Josef Seibel and SCOOPS were accredited with Quality Tourism Services Scheme by the Hong Kong Tourism Board. During the Year, S. Culture was honored to be recognised by Jessica Fashion Magazine as one of the OL Favorite Brands Award: Shoe Retails category, to obtain certification mark with respect to "Promoting Quality Service" from the Hong Kong Retail Management Association and Store's Pledge of "No Fakes" from the Government of the Hong Kong Special Administrative Region Intellectual Property Department.

Directors

Executive Directors

Mr. Chu Siu Ming, aged 77, is one of the founders of the Group. He is appointed as an Executive Director of the Company and designated as the Vice-Chairman of the Board and a member of the Nomination Committee of the Company. He is responsible for advising on strategic planning and the overall management of the Group. He has over 20 years of experience in the wholesale and retail of footwear and has served as a director of Kong Tai Sundry Goods Company Limited, which is one of the Company's major operating subsidiaries, since September 1974. Mr. Chu is also currently a director of each of Grand Asian Limited, Cobblers Limited, Shoe Mart Company Limited, Advertiser's Media Agency Limited, Cobblers (Hong Kong) Trading Company Limited and Shoes Culture (Hong Kong) Trading Company Limited (all are the subsidiaries of the Company) and all the subsidiaries of the Company incorporated in the British Virgin Islands ("BVI"), and an administrator of Shoes Culture Company Limited (a subsidiary of the Company). Mr. Chu is also the sole shareholder and director of Come Good Investment (BVI) Limited (a substantial shareholder of the Company).

Mr. Chu is currently the permanent honorary president of Hong Kong Chiu Chow Merchants Mutual Assistance Society, Limited, the vice president of Chiu Chau Industrial and Commercial Plastic United Association Limited, and the honorary president of Chiu On Association (H.K.) Limited. Mr. Chu is the father of Mr. Chu Chun Ho, Dominic, Mr. Chu Chun Wah, Haeta (both are Executive Directors and Co-Chief Executive Officers of the Company) and Ms. Chu Yuen Fan, Peggie (director of business relations of the Company).

Mr. Chu Chun Ho, Dominic, aged 44, is appointed as the Company's Executive Director and Co-Chief Executive Officer. Mr. Dominic Chu has joined the Group for 18 years and he is mainly responsible for the strategic planning and execution of business strategies of the Group. Mr. Dominic Chu is currently a director of each of Kong Tai Sundry Goods Company Limited, Grand Asian Limited, Cobblers Limited, Shoe Mart Company Limited, Advertiser's Media Agency Limited, Cobblers (Hong Kong) Trading Company Limited and Shoes Culture (Hong Kong) Trading Company Limited and an administrator of Shoes Culture Company Limited (all are the subsidiaries of the Company).

Apart from managing our business, Mr. Dominic Chu is also the vice chairman of Scout Association of Hong Kong Programme Committee, the vice chairman of the Hong Kong Youth Council, an executive director of Hong Kong Island Chaoren Association Limited, the honorary president of Sau Mau Ping District Junior Police Call, a member of the Industry Relationship Development Committee of the Business Administration Discipline Advisory Board of the Vocational Training Council and a Council Member of Children Charity Foundation Limited. In 2009, Mr. Dominic Chu was awarded the 11th World Outstanding Chinese Award. Mr. Dominic Chu is the son of Mr. Chu Siu Ming (an Executive Director and a substantial shareholder of the Company) and the brother of Mr. Chu Chun Wah, Haeta (an Executive Director and a Co-Chief Executive Officer of the Company) and Ms. Chu Yuen Fan, Peggie (director of business relations of the Company).

Mr. Chu Chun Wah, Haeta, aged 42, is appointed as the Company's Executive Director and Co-Chief Executive Officer. He graduated from Carleton University with a bachelor degree of arts in November 1998. Mr. Haeta Chu joined the Group in October 1998. Mr. Haeta Chu has had a major role in expanding the retail network and has been supervising the footwear retailing operations of the Group. In recent years, Mr. Haeta Chu has also taken part in fostering the business relationships with our major suppliers. He is currently a director of each of Kong Tai Sundry Goods Company Limited, Grand Asian Limited, Cobblers Limited, Shoe Mart Company Limited, Advertiser's Media Agency Limited, Cobblers (Hong Kong) Trading Company Limited and Shoes Culture (Hong Kong) Trading Company Limited and an administrator of Shoes Culture Company Limited (all are the subsidiaries of the Company).

Mr. Haeta Chu is currently the vice-chairman of Scout Association of Hong Kong New Territories East Region Development Fund, a director of Hong Kong Youth Council, an executive director of Hong Kong Island Chaoren Association Limited and a school director of Yan Oi Tong Pang Hung Cheung Kindergarten. Mr. Haeta Chu is the son of Mr. Chu Siu Ming (an Executive Director and a substantial shareholder of the Company) and the brother of Mr. Chu Chun Ho, Dominic (an Executive Director and a Co-Chief Executive Officer of the Company) and Ms. Chu Yuen Fan, Peggie (director of business relations of the Company).

Non-executive Directors

Mr. Chong Hot Hoi, aged 61, is appointed as the Company's Non-executive Director and designated as Chairman of the Board and a member of both the Remuneration Committee and Nomination Committee of the Company. Mr. Chong joined the Group in 2005 and is currently a director of Kong Tai Sundry Goods Company Limited, which is one of the Company's major operating subsidiaries. With over 30 years of experience in business management and investment in Hong Kong, Mr. Chong offers management advice and strategic guidance to the management team, and is responsible for the strategic planning of the Group.

Mr. Chong has joined the Chung Nam group since May 1979. He has been the managing director of Chungnam Corporation Limited and Chung Nam Watch Company Limited respectively since 2000. Mr. Chong has been the honorary president of Hong Kong Watch Manufacturers Association Limited since 1991. He has served as the chairman of Hong Kong Watch and Clock Technology Centre Management Committee, Hong Kong Productivity Council since 2009. He is also the permanent honorary president of Chiu On Association (H.K.) Limited, the chairman of Hong Kong-Korea Business Round Table and the executive vice chairman of Federation of HK Chiu Chow Community Organizations Limited. Mr. Chong is also the chairman and a director of Alpha Peak Leisure Inc. (a company listed on the TSX Venture Exchange; stock code: AAP) since June 2015. Mr. Chong obtained his bachelor of science degree in business administration from the University of Southern California in June 1977 and a master degree in business administration from the same university in June 1979. He was also a member of the Beta Alpha Psi honor society at the University of Southern California in 1976, the honorary fellow of The Professional Validation Council of Hong Kong Industries in 2004, a member of the Mandatory Provident Fund Schemes Advisory Committee from March 2005 to March 2011, and a recipient of the Bronze Bauhinia Star by the Government of Hong Kong Special Administrative Region in 2008. Mr. Chong is the brother of Mr. Chong Hok Shan (a substantial shareholder of the Company) and Mr. Chong Hok Hei, Charles (a substantial shareholder and a Non-executive Director of the Company).

Mr. Chong Hok Hei, Charles, aged 57, is appointed as the Company's Non-executive Director. Mr. Chong joined the Group in 2005 and is currently a director of Kong Tai Sundry Goods Company Limited, which is one of the Company's major operating subsidiaries. He offers management advice and strategic guidance to the management team, and is responsible for the strategic planning of the Group.

Mr. Chong joined the Chung Nam group as a sales manager in 1980. He has been the deputy managing director of Chungnam Corporation Limited since 2006 and the deputy managing director of Chung Nam Watch Company Limited since 1998. He also served as a director of business development of Hong Kong Watch Manufacturers Association Limited from June 2004 to June 2006. Mr. Chong obtained his bachelor of science degree in mechanical engineering from the University of Southern California in June 1980. He is also a director of Alpha Peak Leisure Inc. (a company listed on the TSX Venture Exchange; stock code: AAP) since June 2015. Mr. Chong had also served as a director of Thunder Power Co., Ltd (a company listed on the Taiwan Stock Exchange; stock code: 4529) from June 2011 to June 2014. Mr. Chong is the brother of Mr. Chong Hok Shan (a substantial shareholder of the Company) and Mr. Chong Hot Hoi (a substantial shareholder and a Non-executive Director of the Company).

Mr. Yu Fuk Lun, aged 58, has been the Company's Non-executive Director since May 2013. He is also a member of the Remuneration Committee of the Company. Mr. Yu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia Limited. Mr. Yu obtained a master degree in business from the Victoria University of Technology, Australia (distance learning) in November 1997.

Mr. Yu has over 20 years of experience in the fields of finance, accounting and corporate management. He has been the Group Chief Financial Officer of CN Group Limited since February 2007. Mr. Yu was the Chief Executive Officer of OPR Fashion Limited (previously known as Oasis Pacific Rim Limited) from July 2011 to June 2015 and the Deputy General Manager at Samsung Hong Kong Limited from May 1994 to January 2001.

Independent Non-executive Directors

Mr. Wan Kam To, aged 63, has been appointed as the Company's Independent Non-executive Director since May 2013. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. Mr. Wan graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in October 1975 with a higher diploma in accountancy. He has been a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since June 1989 and October 1983, respectively. Mr. Wan has been a practising accountant in Hong Kong for over 30 years and has extensive experience in auditing and advisory work. He joined Coopers & Lybrand in July 1975 and was admitted to the firm's partnership in May 1992. Mr. Wan retired as a partner of PricewaterhouseCoopers in June 2008.

Mr. Wan is the Treasurer and a member of the Council of The Open University of Hong Kong and serves as a member of the board of directors in several charitable and service organisations. Mr. Wan was an independent director of RDA Microelectronics, Inc. (a company previously listed on the NASDAQ Stock Market in New York; stock code: RDA) between November 2010 and July 2014 and Mindray Medical International Limited (a company listed on the New York Stock Exchange; stock code: MR) between September 2008 and December 2014. In addition, he is currently the independent director of the following listed companies:

Company name	Stock code	Place of listing
China Resources Land Limited	1109	Hong Kong
Fairwood Holdings Limited	52	Hong Kong
Huaneng Renewables Corporation Limited	958	Hong Kong
Dalian Port (PDA) Company Limited	HKEx: 2880; SSE: 601880	Hong Kong; Shanghai
KFM Kingdom Holdings Limited	3816	Hong Kong
Shanghai Pharmaceuticals Holding Co., Ltd.	HKEx: 2607; SSE: 601607	Hong Kong; Shanghai
Kerry Logistics Network Limited	636	Hong Kong
Harbin Bank Co., Ltd	6138	Hong Kong
Target Insurance (Holdings) Limited	6161	Hong Kong

Mr. Yau Tat Wang, Dennis, aged 68, has been appointed as an Independent Non-executive Director of the Company since May 2013. He is also the chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee of the Company. Mr. Yau graduated from the University of Hong Kong with a bachelor of social sciences degree in November 1970 and the Harvard Business School by completing its advanced management program in May 1994. He was decorated Knight of the Order of the Crown by the King of Belgium in 2004.

Mr. Yau is an advisor to the board of directors of A-Fontane Groups Limited, a leading Hong Kong manufacturer of home textiles with its own retail distribution networks in Hong Kong, The People's Republic of China (the "PRC") and South East Asia. He was appointed by the Shunde District Government as an advisor of the Sino-European Industrial Services Zone in Foshan New City for a term of two years with effect from July 2014. He worked for the Hong Kong Trade Development Council from July 1970 to September 2002 and headed its international operations after serving on overseas postings in the Council's trade offices in Germany, Italy, Japan and the United States. He joined Dah Sing Bank in 2002 as senior business advisor and was an executive director of Dah Sing Banking Group Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); stock code: 2356) from June 2004 to March 2007. He was appointed as the director-general of the Federation of Hong Kong Industries in 2007 and retired on completion of his term in 2012. During 2009 to 2010, he served as a part-time member of the Central Policy Unit of the Hong Kong Government.

Mr. Lam Man Tin, aged 56, has been appointed as an Independent Non-executive Director of the Company since May 2013. He is also the chairman of the Nomination Committee and a member of both the Audit Committee and Remuneration Committee of the Company. Mr. Lam graduated from the University of Hull with a master degree in strategic marketing (distance learning) in July 1996.

Mr. Lam served as the managing director of Aeon Stores (Hong Kong) Co., Limited (a company listed on the Main Board of the Stock Exchange; stock code: 984) from May 2006 to May 2012. Mr. Lam joined Aeon Stores Co., Ltd. in 1992 and has over 20 years of experience in retail and service industries. He was a director of Aeon Stores Co., Ltd. and an executive director of Aeon Stores (Hong Kong) Co., Limited from May 1999 to May 2012. He was engaged as a consultant of Aeon Stores (Hong Kong) Co., Limited following his resignation from the board until September 2012. Mr. Lam is currently the CEO Strategist of Shirble Department Store Holdings (China) Limited (a company listed on the Main Board of the Stock Exchange; stock code: 312). He was also appointed as an independent non-executive director of Veeko International Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1173) with effect from 2 February 2016. He is also a founding member of the Hong Kong Yau Yat Chuen Lions Club.

Senior Management

Ms. Chan Mei Yin, aged 60, is appointed as our director of administration. She is also a director of Kong Tai Sundry Goods Company Limited. Ms. Chan joined Kong Tai Sundry Goods Company Limited in January 1977 and she had worked up the ranks during the past 37 years of service in the Group. She had been assisting the founder and senior management of the Group in general shipping, trade financing and treasury management. Currently, Ms. Chan is responsible for the general administration, human resources and trade finance management of the Group.

Ms. Chan was awarded the Diploma in Management Studies by Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) jointly with Hong Kong Management Association in September 1988.

Ms. Chan Wai Man, Catherine, aged 53, is appointed as our director of sales. Ms. Chan obtained a Certificate in Secretary and Administration from Sacred Heart Canossian Convent Commercial School in July 1981. She also attended various secretarial training programs and courses, which include Book Keeping under the Commercial Education Scheme of the London Chamber of Commerce and Industry and the Certificate Programme on Written Business English for Secretaries organised by the Hong Kong Management Association.

Ms. Chan joined the Group in January 2006. She has over 16 years of experience in sales and marketing and the development of sales network for footwear in Hong Kong and Taiwan. Before joining the Group, Ms. Chan was the general manager of a regional footwear company of over 200 shops, whose role was to oversee the retail operations of the company from July 1997 to November 2005.

Ms. Chu Yuen Fan, Peggie, aged 46, is appointed as our director of business relations. She is also a director of Kong Tai Sundry Goods Company Limited. Ms. Chu joined Kong Tai Sundry Goods Company Limited in January 1992. Ms. Chu graduated from Carleton University with a bachelor of arts degree in economics in June 1992. Ms. Chu assisted in the early development of the Group in the area of business development and public relations, and has over 15 years of experience in the retail business of Hong Kong and the PRC.

Ms. Chu is currently the president of Canadian University Association, a committee member of Hong Kong Chiu Chow Chamber of Commerce The Woman Community, a director of Hong Kong Island Chaoren Association Limited and the regional liaison of the China Outstanding Female Entrepreneurs Association Women in Hong Kong. Ms. Chu was awarded the 2009 Top 100 Outstanding Women Entrepreneur Award in China (2009年中國百名傑出女企業家) and the 2010 Most Innovative Women Entrepreneur in China (2010年中國創新力女企業家) by the China Outstanding Female Entrepreneurs Association Women. In 2010, Ms. Chu further received the 2010 Most Creative Chinese Entrepreneurial Leaders Award (2010亞太最具創造力之華商領袖•女企業家) jointly presented by Asia-Pacific Chinese Entrepreneur Leaders Association, Asia-Pacific Culture & Fortune News and Asia-Pacific Culture & Fortune Forum. Ms. Chu is the daughter of Mr. Chu Siu Ming (an Executive Director and a substantial shareholder of the Company) and the sister of Mr. Chu Chun Ho, Dominic and Mr. Chu Chun Wah, Haeta (both are Executive Directors and Co-Chief Executive Officers of the Company).

Mr. Ma Chun Fung, Horace (formerly known as Ma Ka Keung), aged 45, is appointed as our chief financial officer. Mr. Ma joined the Group in November 2011. Mr. Ma graduated with a bachelor of business administration degree from the Chinese University of Hong Kong in December 1993. Mr. Ma obtained a bachelor of laws degree from the University of London (external degree) in August 2001 and a master of science degree from the Chinese University of Hong Kong in December 2005.

Mr. Ma has over 20 years of experience in risk and internal control. He is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a certified internal auditor registered with the Institute of Internal Auditors and a holder of the Certification in Control Self-Assessment from the Institute of Internal Auditors.

Mr. Ma has active participation in the affairs and activities of the accountancy profession. He was a council member of the Hong Kong Institute of Certified Public Accountants from December 2009 to December 2011 and a committee member of the Association of Chartered Certified Accountants Hong Kong Branch from 2006 to 2010.

Mr. Ma also has ample experience in managing affairs and governance of listed companies in Hong Kong. From September 2010 to October 2011, he was an executive director of FAVA International Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange; stock code: 8108). Mr. Ma was also an independent non-executive director of Dejin Resources Group Company Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1163) from June 2010 to June 2013 and Universe International Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1046) from November 2008 to December 2013. Since July 2007, he has served as an independent non-executive director of Ming Fai International Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 3828). He has also served as an independent non-executive director of China Tianrui Group Cement Company Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1252) since December 2011 and China Saite Group Company Limited (a company listed on the Main Board of the Stock Exchange; stock code: 153) since October 2013.

Mr. Chow Wing Hang, John, aged 36, is appointed as our financial controller and company secretary. Mr. Chow has over nine years of experience in auditing and accounting. Prior to joining the Group in November 2011, he was an audit manager in PricewaterhouseCoopers Hong Kong from October 2007 to September 2011.

Mr. Chow obtained a bachelor degree in business administration from the City University of Hong Kong in July 2002. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Corporate Governance Practices

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and sustainable growth of the Group. The Board is committed to maintaining a solid, transparent and sensible framework of corporate governance and related measures that the directors of the Company (the "Directors") consider applicable to and practical for the Group. The Board will continue to monitor and review the effectiveness.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the listing date (which is 11 July 2013).

The Board considers that during the year ended 31 December 2015, the Company has complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarized below.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Following specific enquiry made to the Directors, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the Year.

Compliance with the Written Guidelines for Securities Transactions by the Relevant Employees of the Company

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the year ended 31 December 2015.

Board Composition

The Board has a balance of skills and experience appropriate for the requirements of the business of the Group. During the year and up to the date of this report, the Board composition is as follows:

The Board
(including corporate governance functions)
(Total no. of Directors: 9)

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Mr. Chu Siu Ming *(Vice-Chairman)*	Mr. Chong Hot Hoi *(Chairman)*	Mr. Wan Kam To (Note 2)
Mr. Chu Chun Ho, Dominic *(Co-Chief Executive Officer)*	Mr. Chong Hok Hei, Charles	Mr. Yau Tat Wang, Dennis
Mr. Chu Chun Wah, Haeta *(Co-Chief Executive Officer)*	Mr. Yu Fuk Lun	Mr. Lam Man Tin
Total number: 3	Total number: 3	Total number: 3 (Note 1)
% to total Directors: 33.3%	% to total Directors: 33.3%	% to total Directors: 33.3% (Note 3)

Notes:

1. Minimum number of Independent Non-executive Directors: 3 (pursuant to Listing Rule 3.10(1))

2. Independent Non-executive Director having accounting expertise (pursuant to Listing Rule 3.10(2))

3. Independent Non-executive Directors represent 1/3 of the Board (pursuant to Listing Rule 3.10A)

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) and one-third of the Directors are Independent Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

The brief biographical details of the Directors as well as the relationships among Board members, if any, are set out on pages 17 to 20 of this annual report.

Responsibilities of and Delegation by the Board

The Company is governed by the Board which is responsible for directing and supervising its affairs and overseeing the business, strategic direction and performance of the Group. Execution of the Board's decisions and daily operations are delegated to the Executive Directors and the management. The functions reserved to the Board and those delegated to Executive Directors and management, for the running of the Company's business, have been formalised in writing. The Board reviews those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

The management of the Company updates the Directors on their duties and responsibilities as well as the conduct, business activities and development of the Group. It supplies the Directors and Board Committees with adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The management provides sufficient information and explanation to the Board to enable it to make an informed assessment of financial and other information put before it for approval. The management also supplies additional information upon request and enquiry by the Directors. Timely updates on changes in laws and compliance issues relevant to the Group and appropriate information on the Group's business and activities are provided to the Directors. The Board and each Director has separate and independent access to the senior management and Company Secretary, whenever necessary, for any information relevant to the Group they may require in discharging their duties.

Roles of Non-executive Chairman and Co-Chief Executive Officers and Division of Responsibilities

The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual. Mr. Chong Hot Hoi holds the position of Non-executive Chairman while Mr. Chu Chun Ho, Dominic and Mr. Chu Chun Wah, Haeta hold the position of Co-Chief Executive Officers. The roles and division of responsibilities between the Chairman and the Co-Chief Executive Officers have been clearly established and set out in writing.

The Non-executive Chairman provides leadership for and management of the Board. He is responsible for ensuring all Directors are properly briefed on issues to be discussed at Board meetings and receive, in a timely manner, adequate, accurate, clear, complete and reliable information. He also takes the primary responsibility to ensure that the Board works effectively, performs its responsibilities and discusses all key and appropriate issues in a timely manner. He fulfills this by encouraging Directors to make full and active contribution to the Board's affairs and ensure the Board acts in the best interests of the Company. He also encourages Directors with different views to voice their concerns, allows sufficient time for discussion of issues and ensures Board decisions fairly reflect Board consensus. The Chairman is also in frequent contact with the Vice-Chairman and the Co-Chief Executive Officers through regular face-to-face meetings and phone conversations. He is responsible for facilitating the effective contribution of Non-executive Directors and ensuring constructive relations between Executive and Non-executive Directors. During the year ended 31 December 2015, the Chairman has met with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present.

The Co-Chief Executive Officers lead the day-to-day management of the Group's business in accordance with the strategy, policies and programs approved by the Board. They are responsible for transformation of the objectives set by the Board into statements of vision, mission, goals and the corresponding strategies, plans and budgets as well as their effective implementation. The Co-Chief Executive Officers are responsible for providing reports and advice to the Board on the performance of the Group's business. They are well supported by the management, who provides relevant information and recommendations to facilitate informed decision making.

Non-executive Directors

The Non-executive Directors (including Independent Non-executive Directors) have the appropriate balance of skills, and knowledge in the field of financial management, business development or strategies related to the Group's business. They scrutinise the performance of management in achieving agreed corporate goals and objectives and monitor the Group's performance reporting. They also provide independent judgment on the matters of strategies, policies and standards of conduct. Their role can serve to assure clarity and accuracy on the reporting of financial information so that controls and systems of risk management are effectively in place, enabling the Board to maintain high standards of compliance with financial and other reporting requirements and to safeguard the interests of shareholders and the Company.

Independent Non-executive Directors and other Non-executive Directors have given a positive contribution to the development of the Group's strategies and policies through independent, constructive and informed comments. They serve as the members of the Audit Committee, Remuneration Committee and Nomination Committee and share their views through regular attendance and active participation in the meetings of Board Committees.

All Independent Non-executive Directors of the Company have met all the guidelines for assessing independence of a non-executive director as set out in Rule 3.13 of the Listing Rules. The Company has received from each of them an annual written confirmation of independence and considers each of them to be independent.

Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service agreement with the Company, and each of the Non-executive Directors and Independent Non-executive Directors has signed a letter of appointment with the Company. Their terms of appointment have commenced from 1 May 2013 and will continue for a period of three years, subject to retirement by rotation and re-election in accordance with the Company's Articles of Association (the "Articles").

According to the Articles, the Board has the power at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Besides, at every annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

At the forthcoming annual general meeting of the Company to be held on 24 May 2016 (the "2016 AGM"), Mr. Chu Chun Ho, Dominic, Mr. Chong Hok Hei, Charles and Mr. Yau Tat Wang, Dennis will retire by rotation pursuant to the provisions of the Articles stated in the foregoing paragraph. All the retiring Directors, being eligible, will offer themselves for re-election at the 2016 AGM.

Directors' Attendance Records

The Board schedules regular Board meetings in advance to give Directors the opportunity to participate actively, either in person or through electronic means of communication. Directors are consulted for their views regarding inclusion of specific matters in the agenda for regular Board meetings and the draft agenda is circulated to Directors for their comments. Special Board meetings are convened as and when needed. All Directors are properly briefed on issues to be discussed at Board meetings. These Board meetings, together with the Audit, Nomination and Remuneration Committee meetings, provide effective means for the Board and Board Committees to perform their work and discharge their duties.

During the year ended 31 December 2015, six Board meetings, three Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and the 2015 annual general meeting were held. Details of individual Directors' attendance at these meetings are set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2015 Annual General Meeting
Executive Directors					
Mr. Chu Siu Ming	6/6	N/A	N/A	1/1	1/1
Mr. Chu Chun Ho, Dominic	6/6	N/A	N/A	N/A	1/1
Mr. Chu Chun Wah, Haeta	6/6	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Chong Hot Hoi	6/6	N/A	1/1	1/1	1/1
Mr. Chong Hok Hei, Charles	6/6	N/A	N/A	N/A	0/1
Mr. Yu Fuk Lun	6/6	N/A	1/1	N/A	1/1
Independent Non-executive Directors					
Mr. Wan Kam To	6/6	3/3	1/1	1/1	1/1
Mr. Yau Tat Wang, Dennis	6/6	3/3	1/1	1/1	1/1
Mr. Lam Man Tin	6/6	3/3	1/1	1/1	1/1

N/A: Not applicable

Board Committees

The Board has proper delegation of its powers and has established four Board Committees, namely Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Group's affairs. The Board may establish other Board Committee(s) when necessary in accordance with the Articles. The terms of reference of all Board Committees have required them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

Sufficient resources, including the advice of the external auditors and other independent professional advisers, are provided to the Board Committees to enable them to discharge their duties.

Executive Committee

The Board has established a standing Board Committee, namely the Executive Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency of making business decisions. It monitors the execution of the Group's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

The composition of the Executive Committee is as follows:

Executive Committee	
Committee Members	**Committee Secretary**
Executive Directors Mr. Chu Siu Ming *(Committee Chairman)* Mr. Chu Chun Ho, Dominic Mr. Chu Chun Wah, Haeta	Mr. Chow Wing Hang, John (Company Secretary who keeps the minutes of Executive Committee meetings)
Total number of members: 3	

The Executive Committee is accountable to the Board and to oversee the implementation of the Company's strategic objectives and the business operations of the Group.

The key roles and responsibilities of our Executive Committee include:

(i) discuss and make decisions on matters relating to the management and operations of the Company;

(ii) review and discuss certain day-to-day supervisory and operational functions and any other matters;

(iii) enter into and execute tenancy agreements in respect of properties which the Company intends to lease whether as office, warehouse or retail outlets in Hong Kong or overseas;

(iv) open accounts for the Company with banks and execute any related documentation; and

(v) do and execute (except under the common seal of the Company) all such acts, matters, deeds, documents and things as it considers to be necessary, convenient or desirable for or in connection with the normal and ordinary course of business and the daily management and operations of the Company.

Audit Committee

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and Code Provision C.3.3 of the CG Code. The Audit Committee is accountable to the Board and is primarily responsible for reviewing and monitoring the integrity of financial reporting by the Company, for reviewing the Group's internal control and risk management and for overseeing the relationship with the external auditor. The Audit Committee has access to, and maintains an independent communication with the external auditor and the management to ensure effective information exchange on all relevant financial and accounting matters.

The full terms of reference of the Audit Committee are available on the Stock Exchange's website and the Company's website.

The composition of the Audit Committee is as follows:

Audit Committee

Committee Members	Committee Secretary
Independent Non-executive Directors Mr. Wan Kam To *(Committee Chairman)* Mr. Yau Tat Wang, Dennis Mr. Lam Man Tin	Mr. Chow Wing Hang, John (Company Secretary who keeps the minutes of Audit Committee meetings)

Total number of members: 3
% of Independent Non-executive Directors: 100%
Minimum number of meetings per year: 2
In attendance: Representatives from auditor, the Chief Financial Officer, and the Company Secretary, as applicable

The key roles and responsibilities of our Audit Committee include:

(i) make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and deal with any questions of its resignation or dismissal;

(ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(iii) develop and implement policy on engaging an external auditor to supply non-audit services;

(iv) monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgments contained in them;

(v) review the systems of the Company on financial controls, internal control (including without limitation the procedures for compliance with the requirements of Listing Rules and the Hong Kong Companies Ordinance) and risk management;

(vi) discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;

(vii) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;

(viii) review the Group's financial and accounting policies and practices;

(ix) review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response, and ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(x) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

(xi) act as the key representative body for overseeing the Company's relations with the external auditor.

During the year ended 31 December 2015, the Audit Committee has held 3 meetings (the attendance records of each Committee member are set out in the above section headed "Directors' Attendance Records") and performed the following major works:

— reviewed the annual financial statements of the Group and related results announcement and report of the Company for the year ended 31 December 2014, with recommendations to the Board for approval;

— noted and considered the major audit findings related to the 2014 annual audit from Deloitte Touche Tohmatsu, the Company's external auditor;

— reviewed the interim financial statements of the Group and related results announcement and report of the Company for the six months ended 30 June 2015, with recommendations to the Board for approval;

— received reports on the findings of Deloitte Touche Tohmatsu during their interim review and reviewed the recommendations made to management by Deloitte Touche Tohmatsu and the relevant management responses;

— considered and made recommendations to the Board on the re-appointment of Deloitte Touche Tohmatsu;

— reviewed the independence of Deloitte Touche Tohmatsu and engagement of Deloitte Touche Tohmatsu for annual audit for the year ended 31 December 2015;

— reviewed and approved the annual audit plan of Deloitte Touche Tohmatsu, including the nature and scope of the audit, the fee payable to them, their reporting obligations and their work plan;

— reviewed internal control assessment plan from professional consultants;

— reviewed and monitored internal control performance and effectiveness;

— reviewed and reported on the Group's connected transactions (including continuing connected transactions);

— reviewed the arrangements for the Company's employees to use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, with recommendations to the Board for approval;

— reviewed the Company's corporate governance compliance matters; and

— reviewed the terms of reference of the Audit Committee, with recommendation on the amendments to the terms of reference in response to the update in the CG Code, to the Board for approval.

Remuneration Committee

The Remuneration Committee was established in compliance with Rules 3.25 and 3.26 of the Listing Rules and Code Provision B.1.2 of the CG Code. The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Directors and certain senior managers.

The full terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website.

The composition of the Remuneration Committee is as follows:

Remuneration Committee	
Committee Members	**Committee Secretary**
Non-executive Directors Mr. Chong Hot Hoi Mr. Yu Fuk Lun *Independent Non-executive Directors* Mr. Yau Tat Wang, Dennis *(Committee Chairman)* Mr. Lam Man Tin Mr. Wan Kam To	Mr. Chow Wing Hang, John (Company Secretary who keeps the minutes of the Remuneration Committee meetings)
Total number of members: 5 % of Independent Non-executive Directors: 60% Minimum number of meetings per year: 1 In attendance: The Chief Financial Officer, the Company Secretary and other members of the management, as applicable	

The key roles and responsibilities of our Remuneration Committee include:

(i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(iii) make recommendations to the Board on the remuneration of Non-executive Directors;

(iv) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(v) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vi) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(vii) ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2015, the Remuneration Committee has held 1 meeting (the attendance records of each Committee member are set out in the above section headed "Directors' Attendance Records") and performed the following major works:

— reviewed the policy on remuneration of all of the Directors and senior management;

— reviewed specific remuneration packages of all Executive Directors and senior management, with recommendations to the Board for approval (i.e. the model described in the Code Provision B.1.2(c)(ii) of the CG Code is adopted); and

— reviewed the remuneration packages of the Directors and senior management.

For the year ended 31 December 2015, the remuneration of the senior management is listed as below by band:

Band of remuneration	No. of persons
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	1

Further details of the remuneration of Directors and 5 highest paid employees have been set out in notes 12(a) and 12(b) to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established in compliance with Code Provisions A.5.1 and A.5.2 of the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The full terms of reference of the Nomination Committee are available on the Stock Exchange's website and the Company's website.

The composition of the Nomination Committee is as follows:

Nomination Committee

Committee Members	Committee Secretary
Executive Director Mr. Chu Siu Ming *Non-executive Director* Mr. Chong Hot Hoi *Independent Non-executive Directors* Mr. Lam Man Tin *(Committee Chairman)* Mr. Wan Kam To Mr. Yau Tat Wang, Dennis	Mr. Chow Wing Hang, John (Company Secretary who keeps the minutes of the Nomination Committee meetings)

Total number of members: 5
% of Independent Non-executive Directors: 60%
Minimum number of meetings per year: 1
In attendance: the Chief Financial Officer, the Company Secretary and other members of the management, as applicable

The key roles and responsibilities of our Nomination Committee include:

(i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) formulate a policy of selection and nomination of Directors and the procedures for the sourcing of suitably qualified Director for consideration of the Board and implement such plan and procedures approved;

(iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iv) ensure sufficient biographical details of nominated candidates are provided to the Board and shareholders to enable them to make a decision regarding selection of the Board members;

(v) assess the independence of Independent Non-executive Directors;

(vi) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive; and

(vii) conform to and abide by any requirement, direction and regulation that may be prescribed by the Board or contained in the constitutional documents of the Company or imposed by the Listing Rules or applicable laws.

The Company also recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. To comply with Code Provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for reviewing and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the year ended 31 December 2015, the Nomination Committee has held 1 meeting (the attendance records of each Committee member are set out in the above section headed "Directors' Attendance Records") and performed the following major works:

— reviewed the Board diversity policy;

— reviewed the structure, size, diversity and composition of the Board and Board Committees and the split between numbers of Executive Directors, Non-executive Directors and Independent Non-executive Directors;

— considered and recommended to the Board the re-election of the retiring Directors at the 2015 annual general meeting; and

— assessed the independence of the three Independent Non-executive Directors.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in Code Provision D.3.1 of the CG Code. The principal role and function of the Board in relation to corporate governance is to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employees and Directors, and to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2015, the principal works performed by the Board in relation to corporate governance functions are summarised below:

— reviewed the template for monthly update (including financial information and business operations) of the Group;

— reviewed the arrangements for the Company's employees to use, in confidence, and to raise concerns about possible improprieties in financial reporting, internal control or other matters;

— reviewed the Corporate Governance Policy, Shareholders' Communication Policy and Codes of Conduct applicable to employees and Directors of the Company;

— reviewed and monitored the training and continuous professional development of the Directors and senior management;

— reviewed and monitored the legal and regulatory compliance policy of the Company;

— reviewed the terms of reference of Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee of the Company, and approved the amendments to the terms of reference of Audit Committee in response to the update in the CG Code; and

— reviewed the Company's compliance with the CG Code.

Directors' Training and Continuous Professional Development

Pursuant to the Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, in order to ensure compliance and enhance their awareness of good corporate governance practices. The Company also arranges suitable professional development seminars and courses for the Directors and circulate various journals, articles and commentaries about the latest development of the industry from time to time amongst Directors. The records of training by the Directors are maintained by the Company Secretary.

According to the records provided by the Directors, the training received by each of the Directors during the year ended 31 December 2015 is summarised as follows:

Directors	**Type of continuous professional development training** Notes
Executive Directors	
Mr. Chu Siu Ming	B
Mr. Chu Chun Ho, Dominic	A and B
Mr. Chu Chun Wah, Haeta	B
Non-executive Directors	
Mr. Chong Hot Hoi	A and B
Mr. Chong Hok Hei, Charles	B
Mr. Yu Fuk Lun	B
Independent Non-executive Directors	
Mr. Wan Kam To	A and B
Mr. Yau Tat Wang, Dennis	A and B
Mr. Lam Man Tin	B

Notes:

A: Attending seminar(s) or training course(s)

B: Reading materials provided by external parties or by the Company including but not limited to updates relating to the Company's business or directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements etc.

Directors' Responsibilities on the Financial Statements

The Board is accountable to the shareholders and is committed to presenting comprehensive and timely information to the shareholders for assessment of the Company's performance, financial position and prospects. A separate statement containing a discussion and analysis of the Group's performance is included on pages 6 to 12 in this annual report.

The Directors acknowledge their responsibility for the presentation of financial statements, which give a true and fair view of the state of affairs of the Company and the Group, and the results and cash flows for each financial period. In preparing the financial statements, the Directors have to ensure that appropriate accounting policies are adopted. The financial statements are prepared on a going concern basis. The Board is provided with explanations and information by the senior management of the Company, so that the Directors have an informed assessment of the financial and other information of the Group putting forward to the Board for discussion and approval.

The Board's endeavour to present a balanced, clear and understandable assessment extends to annual and interim reports and other financial disclosures required under the Listing Rules and other applicable rules.

Auditor and Auditor's Remuneration

The external auditor of the Company is Deloitte Touche Tohmatsu. A statement by the auditor about its reporting responsibilities is included in the Independent Auditor's Report on the Group's consolidated financial statements on page 45 in this annual report.

In arriving at its opinion, the auditor conducted an audit without any restrictions and had access to individual Directors (including Audit Committee members) and management of the Company.

The remuneration paid and payable to Deloitte Touche Tohmatsu in respect of annual audit and non-audit services of the Group for the year ended 31 December 2015 is set out below:

Types of services provided by the external auditor	**2015 HK$'000**
Audit service	1,000
Non-audit service — Interim review	260
Total:	1,260

Internal Controls

The Board, with the assistance of the Audit Committee, is responsible for maintaining a sound and effective system of internal controls and for reviewing its effectiveness. The Board at least annually conducts a review of the effectiveness of system of internal control. The system is designed to (i) safeguard the interests of shareholders; (ii) safeguard assets of the Group against misappropriation; (iii) ensure proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensure compliance with relevant legislation and regulations. Such system of internal controls is aimed at limiting the risks of the Company to an acceptable level but cannot, of itself, eliminate all risks.

The key procedures established by the Board to provide effective internal controls include (i) a defined management structure with clear lines of responsibilities and limits of authority; (ii) an appropriate organisational structure which adequately provides the necessary information flow for management decisions; (iii) proper budgetary and management accounting control to ensure efficient allocation of resources and to provide timely financial and operational performance indicators for managing business activities; and (iv) effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information.

During the year ended 31 December 2015, the Board, through the Audit Committee, reviewed the effectiveness of the system of internal controls that includes financial, operational, compliance and risk management controls. The Company also engaged external consultants to review the effectiveness of these internal controls. The findings of these reviews were reported to the Audit Committee.

Company Secretary

Mr. Chow Wing Hang, John, the Company Secretary appointed by the Board, is a full-time employee of the Company; and in the opinion of the Board, possesses the necessary qualifications and experience, and is capable of performing the functions of a company secretary. During the year ended 31 December 2015, Mr. Chow has taken not less than 15 hours of professional training. The Company will continue to provide funds for Mr. Chow to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

The Board is responsible for the approval of the selection, appointment or dismissal of the Company Secretary. Our Company Secretary is the Secretary of the Board and our various Board Committees including Executive Committee, Audit Committee, Nomination Committee and Remuneration Committee. The Company Secretary has knowledge of the Company's affairs. He reports to the Co-Chief Executive Officers of the Company, and is responsible for advising the Board on governance matters and facilitating induction and professional development for Directors. In addition, the Company Secretary helps ensure good information flow within the Board and that the Board policy and procedures are followed.

Communications with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make an informed investment decision.

The Company maintains a website at www.s-culture.com as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations and other information are available for public access. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, so as to promote the development of the Company through mutual and efficient communications.

Enquiries and suggestions from shareholders or investors to the Board are welcomed by mail to the Company's principal place of business in Hong Kong at Flat F–J, 11th Floor, Block 2, Kwai Tak Industrial Centre, 15-33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong or via email to ir@s-culture.com for the attention of the Investor Relations Department. Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. It is the Company's general practice that the Chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates, will be available to answer questions at the annual general meeting of the Company. In addition, the Company will invite representatives of the auditor to attend its annual general meeting to answer shareholders' questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 64 of the Articles by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The purpose of requiring such general meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring Director for election as a Director of the Company at a general meeting, pursuant to Article 113 of the Articles, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name(s), contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law. Shareholders may refer to the Articles for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings of the Company shall be voted by poll pursuant to the Listing Rules. The poll voting results shall be posted on the websites of the Stock Exchange and the Company after each shareholders' meeting.

Constitutional Documents

During the year ended 31 December 2015, there was no change in the memorandum and articles of association of the Company. An up-to-date version of the memorandum and articles of association of the Company is available on the websites of the Stock Exchange and the Company.

The Directors of S. Culture International Holdings Limited present their report together with the audited consolidated financial statements for the year ended 31 December 2015 (the "Consolidated Financial Statements").

Principal Activities and Business Review

The principal activity of the Company is investment holding, whilst its major operating subsidiaries are engaged in trading of footwear products.

The business review required under Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance during the Year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 6 to 12 of this annual report and a description of the environmental policies and performance is set out in the "Corporate Social Responsibilities" on pages 13 to 16 of this annual report. These discussions form part of this "Report of the Directors".

An analysis of the revenues and the results of the Group by operating segment during the financial year is set out in note 7 to the Consolidated Financial Statements.

Principal Subsidiaries

A list of principal subsidiaries, together with their places of incorporation/establishment and particulars of their issued share capital/registered capital and principal activities, is set out in note 35 to the Consolidated Financial Statements.

Financial Results

The loss of the Group for the year ended 31 December 2015, and the Consolidated Statement of Financial Position of the Group as at that date are set out in the Consolidated Financial Statements on pages 46 to 47 of this annual report.

Dividends

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015.

Closure of Register of Members

The register of members of the Company will be closed from 20 May 2016, Friday to 24 May 2016, Tuesday (both days inclusive) for the purpose of determining the right to attend and vote at the 2016 AGM to be held on 24 May 2016, Tuesday. In order to be entitled to attend and vote at the 2016 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 19 May 2016, Thursday.

Five Year Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2015 is set out on page 92 of this annual report.

Compliance with Relevant Laws and Regulations

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Major Suppliers and Customers

For the year ended 31 December 2015, the aggregate sales attributable to the Group's five largest customers were under 5%.

The aggregate purchases attributable to the Group's five largest suppliers during the year were approximately 89% while the purchases attributable to the Group's largest supplier during the year were approximately 80%.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had an interest in the Group's major suppliers or customers.

Key relationship with the customers and suppliers

(a) *Customers*

The Group's wholesales customers are typically local department stores or footwear retail chain stores, whereas our retail customers are mainly members of the public or tourists in Hong Kong, Mainland China, Taiwan and Macau.

For wholesales customers, we had maintained business relationship and have been dealing with most of them for more than five years. Consistent with usual industry practice, the Group do not enter into any long-term sales agreements with them, while we will organize order meetings and request them to place purchase orders to us for every season.

For retail customers, we aimed to pursue excellence in product and service quality. Our sales team is trained to provide customers with the high quality customer shopping experience and deal with any complaints that may arise from customers, including but not limited to the verification of any alleged defects in our products. The Directors regard the interest of customers as one of our top priorities.

(b) *Suppliers*

S. Culture is an established and reputable distributor and retailer with exclusive distribution rights with a number of renowned international lifestyle comfort footwear brands. The Directors consider that it is commercially beneficial to build up a close and long-term business relationship with our suppliers as our long-term collaboration would allow us to provide reliable and quality footwear products to our customers.

Reserves and Distributable Reserves

Movements in the reserves of the Company during the year are set out in note 34 to the Consolidated Financial Statements. Movements in the reserves of the Group are reflected in the Consolidated Statement of Changes in Equity.

The Company's reserves available for distribution to shareholders as at 31 December 2015 amounted to approximately HK$93.5 million (2014: HK$94.9 million).

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

Donations

Donations made by the Group during the year amounted to HK$404,000.

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2015 are set out in note 25 to the Consolidated Financial Statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the Consolidated Financial Statements.

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 17 to the Consolidated Financial Statements.

Share Capital

There was no movement in the Company's issued shares during the year. Details of the Company's share capital are set out in note 26 to the Consolidated Financial Statements.

Equity-linked Agreements

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 11 June 2013. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimize their performance and efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to the Group.

Eligible participants of the Share Option Scheme include (i) any employee, executive, or director of any member of the Group or of any company in which the Company holds, directly or indirectly, an equity interest (the "Invested Entity") (including any full-time or part-time employee, executive, executive director, non-executive director, independent non-executive director and company secretary); (ii) any supplier of goods or services to any member of the Group or any Invested Entity; (iii) any customer of the Group or any Invested Entity; and (iv) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

The Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The offer of a grant of share options may be accepted within 28 days from the date of offer, with no consideration payable by the grantee.

The maximum number of shares issuable under share options granted to each eligible participant in accordance with the Share Option Scheme within any 12-month period is limited to 1% of the issued share capital of the Company in issue at any time. Any further grant is subject to the shareholders' approval in general meeting with the participant and the close associates of such participant (or his/her/its associates if the participant is a connected person) abstaining from voting.

Each grant of options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by Independent Non-executive Directors (excluding Independent Non-executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the Company's shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the issued shares of the Company in aggregate and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in general meeting.

The exercise price of share options is determined by the Board, but shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the par value of the Company's shares.

Further details of the Share Option Scheme are set out in note 28 to the Consolidated Financial Statements. No option has been granted by the Company under the Share Option Scheme since its adoption.

Directors

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

Executive Directors

Mr. Chu Siu Ming *(Vice-Chairman)*
Mr. Chu Chun Ho, Dominic *(Co-Chief Executive Officer)*
Mr. Chu Chun Wah, Haeta *(Co-Chief Executive Officer)*

Non-executive Directors

Mr. Chong Hot Hoi *(Chairman)*
Mr. Chong Hok Hei, Charles
Mr. Yu Fuk Lun

Independent Non-executive Directors

Mr. Wan Kam To
Mr. Yau Tat Wang, Dennis
Mr. Lam Man Tin

Pursuant to Article 108 of the Articles, Mr. Chu Chun Ho, Dominic, Mr. Chong Hok Hei, Charles and Mr. Yau Tat Wang, Dennis shall retire by rotation at the 2016 AGM. All of the above three retiring Directors, being eligible, will offer themselves for re-election at the 2016 AGM.

Biographies of Directors and Senior Management

Brief biographical details of Directors and senior management of the Company are set out on pages 17 to 21 of this annual report.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the 2016 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Remuneration

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of Directors' remuneration are set out in note 12(a) to the Consolidated Financial Statements.

Directors' Interests in Transactions, Arrangements or Contracts

Saved as disclosed in the section headed "Continuing Connected Transaction", no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Arrangement to Acquire Shares or Debentures

Apart from the Share Option Scheme operated by the Company as disclosed in the section headed "Share Option Scheme" above, neither at the end of nor at any time during the Year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the objects of or one of the objects of such arrangement are/is 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.

Contract of Significance

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the Year.

Continuing Connected Transaction

During the year, the Group had the following continuing connected transaction, certain details of which are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules.

On 19 December 2013, Grand Asian Limited, an indirectly wholly-owned subsidiary of the Company, entered into a tenancy agreement with Fortune Star Realty Company Limited, being a connected person of the Company within the meanings of the Listing Rules since it is wholly owned by the sister-in-law and nephews of Mr. Chu Siu Ming (an Executive Director and the Vice-Chairman of the Company). Pursuant to the tenancy agreement, Grand Asian Limited agreed to lease from Fortune Star Realty Company Limited the premises located at Shop G31, G/F., Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong with a gross floor area of approximately 306 square feet ("Peninsula Centre Premises") at a monthly rental of HK$95,000 (exclusive of management fees and utility charges). The terms of the tenancy agreement is valid for 3 years from 1 October 2013 to 30 September 2016 (both days inclusive). The Peninsula Centre Premises has been used by Grand Asian Limited as retail shop.

The annual caps for the rent payable by Grand Asian Limited to Fortune Star Realty Company Limited for lease of the Peninsula Centre Premises for the three years ended 31 December 2013, 2014 and 2015 was HK$1,140,000 and for the period from 1 January 2016 to 30 September 2016 was HK$855,000. During the year ended 31 December 2015, the aggregate rent paid by Grand Asian Limited to Fortune Star Realty Company Limited was HK$1,140,000, which was within the above annual cap.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged Deloitte Touche Tohmatsu (the "Auditor"), the auditor of the Company, to review the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange. The conclusion contained in such letter is set out below.

— nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction has not been approved by the Company's Board;

— nothing has come to their attention that causes them to believe that the transaction was not entered into, in all material respects, in accordance with the relevant agreement governing such transaction; and

— with respect to the aggregate amount of the continuing connected transaction set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction has exceeded the maximum aggregate annual value disclosed in previous announcement dated 19 September 2013 made by the Company in respect of the disclosed continuing connected transaction.

The Independent Non-executive Directors have reviewed the transaction and the aforesaid Auditor's letter and confirmed that the continuing connected transaction has been entered into:

— in the ordinary and usual course of business of the Group;

— on normal commercial terms; and

— in accordance with the relevant agreement governing such transaction on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Directors' Interests in Competing Business

During the year, no Director was interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business which is required to be disclosed pursuant to the Listing Rules.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2015, the interests of the Directors in the shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long position in issued shares of the Company

Name of director	Nature of interests	Note	Number of the Company's shares interested	Percentage+ of the Company's issued share capital
Mr. Chu Siu Ming	Interest held by controlled corporation	1	24,261,153	12.13%
	Interest held by spouse	2	1,670,000	0.84%
			25,931,153	12.97%
Mr. Chu Chun Ho, Dominic	Beneficial owner		1,713,091	0.86%
Mr. Chu Chun Wah, Haeta	Beneficial owner		1,631,289	0.82%
Mr. Chong Hot Hoi	Beneficial owner		28,566,163	14.28%
Mr. Chong Hok Hei, Charles	Beneficial owner		28,566,164	14.28%

Notes:

(1) These 24,261,153 shares were held by Come Good Investment (BVI) Limited, a controlled corporation of Mr. Chu Siu Ming. Accordingly, Mr. Chu was deemed to be interested in these shares of the Company pursuant to the SFO.

(2) These 1,670,000 shares were held by Ms. Wong May Heung, the wife of Mr. Chu Siu Ming. Accordingly, Mr. Chu was deemed to be interested in these shares of the Company pursuant to the SFO.

+ The percentage represents the number of the Company's shares interested divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2015, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the issued shares of the Company

Name of substantial shareholder	Nature of interests	Note	Number of the Company's shares interested	Percentage+ of the Company's issued share capital
Mr. Chong Hok Shan	Beneficial owner		28,566,162	14.29%
	Interest held by spouse	1	187,764	0.09%
			28,753,926	14.38%
Come Good Investment (BVI) Limited	Beneficial owner	2	24,261,153	12.13%

Notes:

(1) These 187,764 shares were held by Ms. Wu Se, the wife of Mr. Chong Hok Shan. Accordingly, Mr. Chong was deemed to be interested in these shares of the Company pursuant to the SFO.

(2) The above interest of Come Good Investment (BVI) Limited was also disclosed as the interest of Mr. Chu Siu Ming, an Executive Director of the Company, in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".

+ The percentage represents the number of the Company's shares interested divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, no person, other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

Related Party Transactions

Details of the significant related party transactions undertaken in the usual course of business are set out in note 32 to the Consolidated Financial Statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed.

Use of Proceeds from the Initial Public Offering

On 11 July 2013, the Company was successfully listed on the Main Board of the Stock Exchange. The initial public offering by way of international placing and Hong Kong public offering was welcomed by investors. The total net proceeds from the listing of the Company after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the global offerings amounted to approximately HK$90 million. During the period between the listing date and 31 December 2015, all the net proceeds from the listing were utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 28 June 2013.

Non-Competition Undertakings

Pursuant to the deed of non-competition undertakings (the "Non-Competition Undertakings") dated 27 June 2013 (the "Deed"), each of the controlling shareholders, i.e. Mr. Chong Hok Shan, Mr. Chong Hot Hoi, Mr. Chong Hok Hei, Charles and Mr. Chu Siu Ming, and their respective associates has undertaken to and covenanted with the Company that, save for the identified business, referring to the internet-based online sale of mass market women footwear and the retail sales of footwear in Malaysia, he or it would not, and would procure none of his or its associates to engage in footwear business in the PRC, Hong Kong, Macau and Taiwan and any business that is or is likely to be in competition with that of the Group. For details of the Deed, please refer to the section headed "Relationship with our Controlling Shareholders" in our prospectus dated 28 June 2013. If the controlling shareholders become aware of any business opportunities, they will notify the Company of such opportunities and will procure that such business opportunities are first offered to the Group upon terms which are fair and reasonable.

Each of the above-mentioned controlling shareholders, and their respective associates has confirmed to the Company of his/its compliance with the Non-Competition Undertakings provided to the Company.

During the year ended 31 December 2015, the controlling shareholders did not take up and did not offer or make available to the Company any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business (as defined in the Deed) in the Restricted Territory (as defined in the Deed) and declared that they had complied with the requirements on the Non-Competition Undertakings as set out in the Deed.

At a meeting of the Audit Committee held on 10 March 2016, all the Independent Non-executive Directors reviewed the confirmations from the controlling shareholders in respect of the Non-Competition Undertakings which were submitted to the Company on 25 February 2016 and confirmed compliance with the Non-Competition Undertakings provided by the controlling shareholders.

Management Contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the Year.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Sufficiency of Public Float

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

Permitted Indemnity Provision

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company and its associated companies is currently in force and was in force throughout the Year.

Corporate Governance Practices

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company compiled with the code provisions set out in the CG Code as contained in Appendix 14 to the Listing Rules during the Year.

Audit Committee

The Company established an audit committee with written terms of reference, in accordance with Appendix 14 to the Listing Rules, on 11 June 2013. The primary duties of the audit committee are, amongst other things, to review and supervise the financial reporting processes and risk management and internal control systems of the Company.

The audit committee (consisting of the three Independent Non-executive Directors) has reviewed with management the principal accounting policies adopted by the Group and discussed risk management, internal controls and financial reporting matters including a review of the annual financial statements for the Year.

Auditor

Deloitte Touche Tohmatsu, the auditor of the Company, will retire and, being eligible, offer themselves for re-appointment at the 2016 AGM. A resolution will be submitted to the 2016 AGM to seek shareholders' approval on the re-appointment of Deloitte Touche Tohmatsu as the Company's auditor until the conclusion of the next annual general meeting.

On behalf of the Board
S. Culture International Holdings Limited
Chong Hot Hoi
Chairman and Non-executive Director

Hong Kong, 17 March 2016

Deloitte.
德勤

TO THE SHAREHOLDERS OF S. CULTURE INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of S. Culture International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 91, which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors 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 the 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	7	**561,028**	590,539
Cost of goods sold		**(213,534)**	(218,836)
Gross profit		**347,494**	371,703
Other income	8	**1,698**	1,949
Other gains and losses	9	**(1,846)**	(453)
Selling and distribution costs		**(220,848)**	(212,966)
Administrative expenses		**(139,798)**	(146,070)
Finance costs	10	**(3,060)**	(2,042)
(Loss) profit before taxation	11	**(16,360)**	12,121
Taxation	13	**(13)**	(3,086)
(Loss) profit for the year		**(16,373)**	9,035
Other comprehensive expense for the year			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(805)**	(2,792)
Total comprehensive (expense) income for the year		**(17,178)**	6,243
(Loss) profit for the year attributable to owners of the Company		**(16,373)**	9,035
Total comprehensive (expense) income attributable to owners of the Company		**(17,178)**	6,243
(Loss) earnings per share — basic (HK$)	15	**(0.08)**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**52,066**	50,351
Investment properties	17	**764**	776
Deferred tax assets	18	**6,773**	6,246
Deposits paid for acquisition of property, plant and equipment		**349**	928
Rental deposits		**19,216**	20,840
		79,168	79,141
Current assets			
Inventories	19	**251,713**	187,245
Trade and other receivables	20	**87,719**	68,072
Derivative financial instruments	21	**141**	384
Taxation recoverable		**2,896**	1,658
Bank balances and cash	22	**32,647**	70,801
		375,116	328,160
Current liabilities			
Trade and other payables	23	**26,992**	28,627
Derivative financial instruments	21	**—**	370
Taxation payable		**268**	519
Obligation under a finance lease — due within one year	24	**155**	296
Bank borrowings — due within one year	25	**199,103**	126,214
		226,518	156,026
Net current assets		**148,598**	172,134
Total assets less current liabilities		**227,766**	251,275
Non-current liabilities			
Obligation under a finance lease — due after one year	24	**—**	155
Bank borrowings — due after one year	25	**10,189**	11,765
		10,189	11,920
Net assets		**217,577**	239,355
Capital and reserves			
Share capital	26	**2,000**	2,000
Reserves		**215,577**	237,355
Total equity		**217,577**	239,355

The consolidated financial statements on pages 46 to 91 were approved and authorised for issue by the board of directors on 17 March 2016 and are signed on its behalf by:

Chong Hot Hoi	**Chu Siu Ming**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owner of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (Note a)	**Legal reserve** HK$'000 (Note b)	**Translation reserve** HK$'000	**Accumulated profits** HK$'000	**Total** HK$'000
At 1 January 2014	2,000	92,911	15,800	—	188	130,213	241,112
Profit for the year	—	—	—	—	—	9,035	9,035
Exchange differences arising on translation and other comprehensive expense for the year	—	—	—	—	(2,792)	—	(2,792)
Total comprehensive (expense) income for the year	—	—	—	—	(2,792)	9,035	6,243
Transfer	—	—	—	12	—	(12)	—
Dividend paid	—	—	—	—	—	(8,000)	(8,000)
At 31 December 2014	2,000	92,911	15,800	12	(2,604)	131,236	239,355
Loss for the year	—	—	—	—	—	(16,373)	(16,373)
Exchange differences arising on translation and other comprehensive expense for the year	—	—	—	—	(805)	—	(805)
Total comprehensive expense for the year	—	—	—	—	(805)	(16,373)	(17,178)
Dividend paid	—	—	—	—	—	(4,600)	(4,600)
At 31 December 2015	2,000	92,911	15,800	12	(3,409)	110,263	217,577

Notes:

(a) The special reserve of the Group represents the difference between the nominal amount of the share capital and share premium of Kong Tai Sundry Goods Company Limited ("Kong Tai Sundry Goods") and Grand Asian Limited ("Grand Asian"), subsidiaries of the Company, and the nominal amount of share capital of the Company pursuant to the group reorganisation.

(b) As stipulated by the relevant laws and regulations in the Macao Administrative Region of the People's Republic of China ("Macau"), a subsidiary of the Company is required to set aside 25% of its profit for the year to a legal reserve until the legal reserve has reached 50% of its registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Operating activities		
(Loss) profit before taxation	**(16,360)**	12,121
Adjustments for:		
Interest income	**(577)**	(778)
Interest expenses	**3,060**	2,042
Depreciation of property, plant and equipment	**13,137**	14,212
Depreciation of investment properties	**12**	13
Loss on disposal of property, plant and equipment	**117**	3
Fair value gain on derivative financial instruments	**(146)**	(32)
Operating cash flows before movements in working capital	**(757)**	27,581
Increase in rental deposits	**(3,404)**	(3,580)
Increase in inventories	**(66,846)**	(30,094)
(Increase) decrease in trade and other receivables	**(14,453)**	1,112
Decrease in trade and other payables	**(1,295)**	(6,117)
Cash used in operations	**(86,755)**	(11,098)
Hong Kong Profits Tax paid	**(1,911)**	(5,266)
Tax paid in other jurisdictions	**(122)**	(36)
Net cash used in operating activities	**(88,788)**	(16,400)
Investing activities		
Interest received	**577**	778
Proceeds from disposal of property, plant and equipment	**—**	1
Purchase of property, plant and equipment	**(14,530)**	(15,000)
Deposits paid for acquisition of property, plant and equipment	**(111)**	(928)
Net cash used in investing activities	**(14,064)**	(15,149)
Financing activities		
New bank loans raised	**364,743**	307,459
Repayments of bank borrowings	**(291,892)**	(284,579)
Dividends paid	**(4,600)**	(8,000)
Interest paid	**(3,060)**	(2,042)
Repayment of obligation under a finance lease	**(296)**	(147)
Net cash from financing activities	**64,895**	12,691
Net decrease in cash and cash equivalents	**(37,957)**	(18,858)
Cash and cash equivalents at beginning of the year	**70,801**	89,889
Effect of foreign exchange rate changes	**(197)**	(230)
Cash and cash equivalents at end of the year, representing bank balances and cash	**32,647**	70,801

1. General

The Company is a listed public company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company while its subsidiaries are principally engaged in the trading of footwear products. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 "Financial instruments"

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

Key requirements of HKFRS 9 are described below:

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 9 will affect the classification and measurement of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detail analysis.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 15 "Revenue from contracts with customers"

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

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

* Step 1: Identify the contract(s) with a customer

* Step 2: Identify the performance obligations in the contract(s)

* Step 3: Determine the transaction price

* Step 4: Allocate the transaction price to the performance obligations in the contract(s)

* Step 5: Recognise revenue when the entity satisfies a performance obligation

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

The directors of the Company are in the process of assessing the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group completes a detailed review.

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

3. Significant Accounting Policies

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 is presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules is not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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

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

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

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

The principal accounting policies are set out below:

Basis of consolidation

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

* has power over the investee;

* is exposed, or has rights, to variable returns from its involvement with the investee; and

* has the ability to use its power to affect its returns.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

Revenue recognition

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

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

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

Service income is recognised when services are provided.

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

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

Property, plant and equipment

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

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

3. Significant Accounting Policies (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Leasehold land and building

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

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

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

* it has been acquired principally for the purpose of selling it in the near term; or

* on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

* it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

* significant financial difficulty of the issuer or counterparty; or

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

* it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6.

Other financial liabilities

Other financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

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

Derecognition

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

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

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

3. Significant Accounting Policies (Continued)

Impairment on tangible assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statement of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

3. Significant Accounting Policies (Continued)

Taxation

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

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

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

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

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

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

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

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

4. Key Sources of Estimation Uncertainty

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

Estimated impairment loss recognised on trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

At 31 December 2015, the carrying amount of trade receivables is HK$35,348,000 (2014: HK$35,909,000) (net of allowance for doubtful debts of HK$104,000 (2014: HK$108,000)).

Estimated allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and marketability of the inventories. Where the subsequent selling prices decline or costs necessary to make the sales increase, additional allowance may arise.

At 31 December 2015, the carrying amount of inventories is HK$251,713,000 (2014: HK$187,245,000).

Income taxes

As at 31 December 2015, a deferred tax asset of HK$6,398,000 and HK$378,000 (2014: HK$5,681,000 and HK$649,000) in relation to accelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position, respectively. No deferred tax asset has been recognised on the tax losses of HK$15,782,000 (2014: HK$3,326,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Fair value measurements and valuation processes

In estimating the fair value of the Group's derivative financial instruments, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group will assess the valuation of financial instruments with reference to the fair value quoted in the over-the-counter market with the adjustments for the lack of marketability. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company. Any changes in the marketability of the investments will affect the fair value of the instruments. Note 6 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the Group's derivative financial instruments.

5. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes the obligation under a finance lease disclosed in note 24, bank borrowings disclosed in note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**103,906**	127,550
Rental deposits	**32,199**	28,850
Derivative financial instruments	**141**	384
Financial liabilities		
Amortised cost	**217,978**	148,254
Derivative financial instruments	**—**	370
Obligation under a finance lease	**155**	451

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits, bank balances and cash, derivative financial instruments, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities, representing bank balances and cash, trade and other payables and bank borrowings, other than the respective group entities' functional currencies at the end of the reporting period are as follows:

	Assets		Liabilities	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**664**	1,744	**25,602**	15,756
United States dollars ("USD")	**23**	12	**1,968**	3,160
Renminbi ("RMB")	**23**	20,067	**—**	—

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. Other than the foreign currency forward contracts as disclosed in note 21, the Group did not enter into any foreign currency forward contracts to hedge against foreign currency risk as at 31 December 2015.

Sensitivity analysis

The Group is mainly exposed to fluctuation against a foreign currency of HK$, RMB and USD. Under the pegged exchange rate system, the financial impact on exchange differences between USD and HK$ is expected to be immaterial and therefore no sensitivity analysis has been prepared.

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in foreign currency. 5% (2014: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease in loss for the year (2014: an increase in profit for the year) where the functional currency of each group entity strengthen 5% (2014: 5%) against the relevant foreign currency. For a 5% (2014: 5%) weakening of functional currency of each group entity against the relevant foreign currency, there would be an equal and opposite impact on the loss for the year (2014: profit for the year), and the balances below would be negative.

	2015	2014
	HK$'000	HK$'000
HK$	**1,251**	572
RMB	**(1)**	(1,003)

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

6. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed deposits held at banks with original maturity within three months.

The Group is also exposed to cash flow interest rate risk in relation to bank balances (see note 22) and bank borrowings (see note 25). The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of prime lending rate, benchmark interest rate of Central Bank of Taiwan and Hong Kong Interbank Offered Rate. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming that the amount of liabilities outstanding at the end of each reporting period were outstanding for the whole year. 50 basis point increase or decrease represent the management's assessment of the reasonably possible change in interest rates. No sensitivity analysis is presented for bank balances as the directors of the Company considered the Group's exposure to cash flow interest rate risk is not material.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year (2014: profit for the year) would increase/decrease by HK$907,000 (2014: decrease/increase by HK$575,000).

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure do not reflect the exposures during the year.

6. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

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

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties.

The credit risk for bank deposits is considered minimal as such amounts are placed in banks with high credit ratings.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity date for other non-derivative financial liabilities are based on the agreed repayment dates.

Moreover, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows for these derivatives.

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

6. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015							
Non-derivative financial liabilities							
Trade and other payables	N/A	8,686	—	—	—	8,686	8,686
Bank borrowings — variable rate	1.99	203,266	1,381	3,617	6,323	214,587	209,292
Obligation under a finance lease	2.50	157	—	—	—	157	155
		212,109	1,381	3,617	6,323	223,430	218,133
At 31 December 2014							
Non-derivative financial liabilities							
Trade and other payables	N/A	10,275	—	—	—	10,275	10,275
Bank borrowings — variable rate	2.30	129,261	1,481	3,804	8,119	142,665	137,979
Obligation under a finance lease	2.50	314	157	—	—	471	451
		139,850	1,638	3,804	8,119	153,411	148,705
Derivative financial instruments net settlement — outflow	N/A	370	—	—	—	370	370

6. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

Bank loan with a repayment on demand clause was included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2015, the principal amount of this bank loan amounted to HK$20,633,000 (2014: HK$28,333,000). Taking into account the Group's financial position, the directors of the Company did not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors of the Company believes that such bank loan will be repaid in accordance with the scheduled repayment date set out in the loan agreement and the principal and interest cash outflows according to the scheduled repayment date are set out as follows:

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015						
Bank borrowing — variable rate	2.21	12,622	8,419	—	21,041	20,633
At 31 December 2014						
Bank borrowing — variable rate	2.24	10,532	10,308	8,419	29,259	28,333

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

Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at 31.12.2015	Fair value as at 31.12.2014	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Foreign currency forward contracts classified as derivative financial instruments	Asset–HK$141,000 Liabilities–nil	Asset–HK$384,000 Liabilities–HK$370,000	Level 2	Discounted cash flow. Future cash flows are estimated based on closing exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

7. Revenue and Segment Information

The Group's operating activities are attributable to operating segments focusing on retail sales and wholesale of footwear products. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs, that are regularly reviewed by the chief operating decision makers, the executive directors of the Company. The executive directors of the Company regularly review revenue and results analysis by (i) retail sales and (ii) wholesale. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors of the Company.

- Retail sales: Retail sales channel refers to sales at the self-operated concession counters in department stores and self-operated retail stores.

- Wholesale: Wholesale refers to the sales to wholesale customers who resell the products to end-user consumers, typically at retail stores operated by wholesale customers.

The information of operating and reportable segments is as follows:

Segment revenue and results

For the year ended 31 December 2015

	Retail sales HK$'000	Wholesale HK$'000	Segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE					
External sales	513,124	47,904	561,028	—	561,028
Inter-segment sales	—	246,811	246,811	(246,811)	—
Segment revenue	513,124	294,715	807,839	(246,811)	561,028
Segment results	(10,755)	3,909	(6,846)	(2,454)	(9,300)
Unallocated income					1,639
Unallocated expenses					(5,639)
Finance costs					(3,060)
Loss before taxation					(16,360)

7. Revenue and Segment Information (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2014

	Retail sales HK$'000	Wholesale HK$'000	Segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE					
External sales	541,114	49,425	590,539	—	590,539
Inter-segment sales	—	247,791	247,791	(247,791)	—
Segment revenue	541,114	297,216	838,330	(247,791)	590,539
Segment results	14,055	6,260	20,315	(1,844)	18,471
Unallocated income					1,718
Unallocated expenses					(6,026)
Finance costs					(2,042)
Profit before taxation					12,121

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the (loss) profit earned from each segment without allocation of central administration costs, fair value gain on derivative financial instruments, rental income, interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

Other segment information

For the year ended 31 December 2015

	Retail sales HK$'000	**Wholesale HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in measure of segment results:				
Depreciation	**10,748**	**2,255**	**146**	**13,149**
Loss on disposal of property, plant and equipment	**117**	**—**	**—**	**117**

7. Revenue and Segment Information (Continued)

Other segment information (Continued)

For the year ended 31 December 2014

	Retail sales HK$'000	Wholesale HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in measure of segment results:				
Depreciation	12,205	2,007	13	14,225
Loss on disposal of property, plant and equipment	3	—	—	3

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the respective group entities' operations:

	2015 HK$'000	2014 HK$'000
Hong Kong	**436,960**	467,526
Taiwan	**105,057**	106,855
Macau	**13,184**	13,414
Mainland China	**5,827**	2,744
	561,028	590,539

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	2015 HK$'000	2014 HK$'000
Hong Kong	**46,241**	41,674
Taiwan	**25,409**	28,857
Macau	**360**	1,465
Mainland China	**385**	899
	72,395	72,895

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during both years.

8. Other Income

	2015 **HK$'000**	2014 HK$'000
Interest income	**577**	778
Commission income	**179**	138
Rental income (outgoings of HK$68,000 (2014: HK$69,000))	**916**	908
Others	**26**	125
	1,698	1,949

9. Other Gains and Losses

	2015 **HK$'000**	2014 HK$'000
Fair value gain on derivative financial instruments	**146**	32
Net exchange loss	**(1,875)**	(482)
Loss on disposal of property, plant and equipment	**(117)**	(3)
	(1,846)	(453)

10. Finance Costs

	2015 **HK$'000**	2014 HK$'000
Interest on bank borrowings	**3,042**	2,032
Interest on finance lease	**18**	10
	3,060	2,042

11. (Loss) Profit Before Taxation

	2015 HK$'000	2014 HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 12)	**9,230**	10,683
Other staff costs	**95,401**	99,088
Retirement benefit schemes contributions for other staffs	**4,291**	4,193
	108,922	113,964
Auditors' remuneration	**1,652**	1,719
Cost of inventories recognised as expenses	**213,534**	218,836
Depreciation of property, plant and equipment	**13,137**	14,212
Depreciation of investment properties	**12**	13
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**4,864**	3,530
— retail stores (including in selling and distribution costs)		
— minimum lease payments	**105,465**	100,990
— contingent rent (note)	**4,406**	1,694
	109,871	102,684
— department store counters (including concessionaire commission) (included in selling and distribution costs)		
— minimum lease payments	**39,530**	35,729
— contingent rent (note)	**25,714**	27,321
	65,244	63,050
	179,979	169,264

Note: The contingent rent refers to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

12. Directors', Chief Executives' and Employees' Emoluments

(a) Directors' and chief executives' emoluments

	Fees HK$'000	Salaries and allowances HK$'000	Performance related incentive payments HK$'000	Retirement benefit schemes contributions HK$'000	Total HK$'000
For the year ended 31 December 2015					
Executive directors:					
Mr. Chu Siu Ming	**120**	**3,540**	**—**	**108**	**3,768**
Mr. Chu Chun Ho, Dominic	**120**	**2,266**	**—**	**103**	**2,489**
Mr. Chu Chun Wah, Haeta	**120**	**2,266**	**—**	**75**	**2,461**
Non-executive directors:					
Mr. Chong Hot Hoi	**1**	**—**	**—**	**—**	**1**
Mr. Chong Hok Hei, Charles	**1**	**—**	**—**	**—**	**1**
Mr. Yu Fuk Lun	**120**	**—**	**—**	**—**	**120**
Independent non-executive directors:					
Mr. Wan Kam To	**150**	**—**	**—**	**—**	**150**
Mr. Yau Tat Wang, Dennis	**120**	**—**	**—**	**—**	**120**
Mr. Lam Man Tin	**120**	**—**	**—**	**—**	**120**
	872	**8,072**	**—**	**286**	**9,230**

12. Directors', Chief Executives' and Employees' Emoluments (Continued)

(a) Directors' and chief executives' emoluments (Continued)

	Fees	Salaries and allowances	Performance related incentive payments	Retirement benefit schemes contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2014					
Executive directors:					
Mr. Chu Siu Ming	120	3,540	503	108	4,271
Mr. Chu Chun Ho, Dominic	120	2,241	503	103	2,967
Mr. Chu Chun Wah, Haeta	120	2,237	503	73	2,933
Non-executive directors:					
Mr. Chong Hot Hoi	1	—	—	—	1
Mr. Chong Hok Hei, Charles	1	—	—	—	1
Mr. Yu Fuk Lun	120	—	—	—	120
Independent non-executive directors:					
Mr. Wan Kam To	150	—	—	—	150
Mr. Yau Tat Wang, Dennis	120	—	—	—	120
Mr. Lam Man Tin	120	—	—	—	120
	872	8,018	1,509	284	10,683

The performance related incentive payments were determined with reference to the operating results, individual performance and comparable market statistics for the year.

Mr. Chu Chun Ho, Dominic and Mr. Chu Chun Wah, Haeta are also the chief executives of the Company and their emoluments disclosed above include those for services rendered by them as the chief executives.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company.

12. Directors', Chief Executives' and Employees' Emoluments (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 3 (2014: 3) were directors and the chief executives of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining 2 (2014: 2) individuals were as follows:

	2015 **HK$'000**	2014 HK$'000
Employees		
— salaries and allowance	**3,042**	3,158
— performance related incentive payments	**—**	500
— retirement benefits scheme contributions	**36**	34
	3,078	3,692

The performance related incentive payments were determined with reference to the operating results, individual performance and comparable market statistics for the year.

Their emoluments were within the following bands:

	Number of employees	
	2015	2014
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**1**	2
	2	2

13. Taxation

	2015 **HK$'000**	2014 HK$'000
Current tax		
Hong Kong Profits Tax	**329**	3,560
Macau Complementary Tax	**268**	282
	597	3,842
(Over)underprovision in prior years	**(53)**	121
Deferred taxation (note 18)	**(531)**	(877)
	13	3,086

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the British Virgin Islands ("BVI"), have no assessable profits for both years.

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

13. Taxation (Continued)

Taiwan income tax is calculated at 17% (2014: 17%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods in Taiwan for the year. No provision for Taiwan income tax has been made in the consolidated financial statements as the branch operating in Taiwan has no assessable profits for both years.

Macau Complementary Tax is calculated at progressive rates ranging from 9% to 12% (2014: 9% to 12%) on the estimated assessable profit for the year.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2014: 25%). No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements as the subsidiaries operating in the PRC have no assessable profits for both years.

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

	2015	2014
	HK$'000	HK$'000
(Loss) profit before taxation	**(16,360)**	12,121
Tax at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	**(2,699)**	2,000
Tax effect of expenses not deductible for tax purposes	**784**	847
Tax effect of income not taxable for tax purposes	**(72)**	(111)
Tax effect of utilisation of tax loses previously not recognised	**—**	(60)
Tax effect of tax losses not recognised	**2,639**	657
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(641)**	(331)
(Over)underprovision in prior years	**(53)**	121
Others	**55**	(37)
Taxation charge	**13**	3,086

14. Dividends

	2015	2014
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2014 Final dividend — HK2.3 cents		
(2014: 2013 Final dividend — HK4 cents) per share	**4,600**	8,000

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period.

15. (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share for the year ended 31 December 2015 is based on the loss the year (2014: profit for the year) attributable to owners of the Company and the weighted average number of 200,000,000 (2014: 200,000,000) ordinary shares in issue during the year.

No diluted (loss) earnings per share is presented as there are no potential ordinary shares during both years.

16. Property, Plant and Equipment

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2014	39,402	40,657	7,733	2,810	90,602
Exchange adjustments	—	(1,225)	(174)	(20)	(1,419)
Additions	—	12,749	2,221	628	15,598
Disposals	—	(2,907)	(460)	—	(3,367)
At 31 December 2014	39,402	49,274	9,320	3,418	101,414
Exchange adjustments	—	(728)	(100)	(9)	(837)
Additions	6,900	7,029	1,291	—	15,220
Disposals	—	(3,170)	(8)	—	(3,178)
At 31 December 2015	46,302	52,405	10,503	3,409	112,619
DEPRECIATION					
At 1 January 2014	7,716	25,866	5,577	1,927	41,086
Exchange adjustments	—	(763)	(97)	(12)	(872)
Provided for the year	648	11,451	1,657	456	14,212
Eliminated on disposals	—	(2,907)	(456)	—	(3,363)
At 31 December 2014	8,364	33,647	6,681	2,371	51,063
Exchange adjustments	—	(511)	(68)	(7)	(586)
Provided for the year	1,064	10,002	1,742	329	13,137
Eliminated on disposals	—	(3,061)	—	—	(3,061)
At 31 December 2015	9,428	40,077	8,355	2,693	60,553
CARRYING VALUES					
At 31 December 2015	36,874	12,328	2,148	716	52,066
At 31 December 2014	31,038	15,627	2,639	1,047	50,351

16. Property, Plant and Equipment (Continued)

The Group's leasehold land and buildings are situated:

	2015 **HK$'000**	2014 HK$'000
In Hong Kong	**17,302**	10,899
In Taiwan	**19,572**	20,139
	36,874	31,038

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method or reducing balance method at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the term of the lease on straight-line method
Buildings	Over the shorter of the term of lease or 2% on straight-line method
Leasehold improvements	Over the shorter of the term of the lease or 25%–$33^1/_3$% on straight-line method
Furniture, fixtures and equipment	$33^1/_3$%–50% on straight-line method
Motor vehicles	30% on reducing balance method

The net book value of motor vehicles includes an amount of HK$293,000 (2014: HK$419,000) in respect of an asset held under a finance lease.

17. Investment Properties

	HK$'000
COST	
At 1 January 2014, 31 December 2014 and 31 December 2015	1,186
DEPRECIATION	
At 1 January 2014	397
Provided for the year	13
At 31 December 2014	410
Provided for the year	12
At 31 December 2015	422
CARRYING VALUES	
At 31 December 2015	764
At 31 December 2014	776

The fair value of the Group's investment properties as at 31 December 2015 was HK$23,580,000 (2014: HK$23,280,000). The fair value as at 31 December 2015 has been arrived at based on a valuation carried out on that date by ROMA Appraisals Limited, an independent valuer not connected with the Group and a member of Hong Kong Institute of Surveyors.

17. Investment Properties (Continued)

The fair value was determined based on direct comparison method assuming sales of each of the property interests in their existing states and making references to comparable market observable transactions of similar properties in similar locations and conditions as available in the relevant market. Those comparable properties are analysed and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

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

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Level 3 HK$'000	**Fair value** HK$'000
At 31 December 2015		
Commercial property units located in Hong Kong	**23,580**	**23,580**
At 31 December 2014		
Commercial property units located in Hong Kong	23,280	23,280

The Group's investment properties are situated in Hong Kong and depreciated over the shorter of the term of lease or 2% on straight-line method.

18. Deferred Taxation

The followings are the major deferred tax assets recognised and movements thereon during the year:

	Property, plant and equipment HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 January 2014	4,878	538	5,416
Credit to profit or loss (note 13)	803	74	877
Exchange adjustments	—	(47)	(47)
At 31 December 2014	5,681	565	6,246
(Charge) credit to profit or loss (note 13)	717	(186)	531
Exchange adjustments	—	(4)	(4)
At 31 December 2015	6,398	375	6,773

Note: Others mainly represent temporary difference associated with tax losses.

At the end of the reporting period, the Group has unutilised tax losses of HK$18,071,000 (2014: HK$7,144,000) subject to the approval from relevant tax authorities available for offset against future profits. A deferred tax asset has been recognised in respect of HK$2,289,000 (2014: HK$3,818,000) of such losses. No deferred tax has been recognised in respect of the remaining losses of HK$15,782,000 (2014: HK$3,326,000). Included in unrecognised tax losses are losses of HK$8,095,000 (2014: HK$3,326,000) and HK$7,687,000 (2014: nil) that will expire within five years and ten years, respectively. Other losses may be carried forward indefinitely.

As at 31 December 2014, the aggregate amount of temporary difference associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised was HK$1,891,000 (2015: nil). No liability has been recognised in respect of those differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19. Inventories

	2015 HK$'000	2014 HK$'000
Finished goods	**251,713**	187,245

20. Trade and Other Receivables

	2015 HK$'000	2014 HK$'000
Trade receivables	**35,452**	36,017
Bills receivables	**27,796**	15,905
Less: Allowance for doubtful debts	**(104)**	(108)
	63,144	51,814
Rental deposits	**12,983**	8,010
Other deposits	**2,077**	1,522
Prepayments	**2,892**	2,849
Other receivables	**6,623**	3,877
	24,575	16,258
	87,719	68,072

Retail sales are made at retail shops and concession counters in department stores. The department stores collect payments from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores range from 30 to 60 days. Sales made at retail shops are settled by cash or credit cards. For wholesale, the Group allows a credit period range from 30 to 60 days to its trade customers. The following is an aging analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	2015 HK$'000	2014 HK$'000
Within 30 days	**54,634**	43,667
31 to 60 days	**3,002**	3,294
61 to 90 days	**2,761**	2,503
Over 90 days	**2,747**	2,350
	63,144	51,814

For sales by wholesale, before accepting any new customer, the Group will check the historical default records of these customers through external source.

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$5,508,000 (2014: HK$4,853,000) which were past due as at the reporting date for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

20. Trade and Other Receivables (Continued)

The following is an aging analysis of trade receivables based on the invoice date which were past due but not impaired at the end of each reporting period:

	2015	2014
	HK$'000	HK$'000
61 to 90 days	**2,761**	2,503
Over 90 days	**2,747**	2,350
	5,508	4,853

Receivables that were neither past due nor impaired relate to a number of customers for whom there were no history of default.

Based on the historical experience of the Group, trade receivables that were past due but not impaired were generally recoverable.

Movement in the allowance for doubtful debts

	2015	2014
	HK$'000	HK$'000
Balance at beginning of the year	**108**	118
Exchange adjustments	**(4)**	(10)
Balance at end of the year	**104**	108

The following are the bills receivables of the Group discounted to banks which did not qualify for derecognition at the end of each reporting period:

	Bills receivables discounted to banks with full recourse	
	2015	2014
	HK$'000	HK$'000
Carrying amount of bills receivables	**27,796**	15,905
Carrying amount of associated liabilities	**27,796**	15,905
Net position	**—**	—

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivables to the respective banks by discounting the bills receivables for cash on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these bills receivables, it continued to recognise the full carrying amount of the bills receivables. These receivables were carried at amortised cost in the consolidated financial statements and associated liabilities had been recognised and included in liabilities as bank loans related to bills discounted with recourse.

21. Derivative Financial Instruments

	2015		2014	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Foreign currency forward contracts	**141**	**—**	384	370

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are principal primarily denominated in the currencies of the Group's principal markets.

The major terms of the foreign currency forward contracts which the Group is committed to are as follows:

At 31 December 2015

Notional amount	Exercise period	Forward contract rate
12 contracts to sell Taiwan dollars ("NTD") 108,340,000	From 15 January 2016 to 12 May 2016	HK$1/NTD4.21 to HK$1/NTD4.25

At 31 December 2014

Notional amount	Exercise period	Forward contract rate
12 contracts to buy Euro ("EUR") 942,000	From 11 March 2015 to 22 June 2015	EUR1/HK$9.55 to EUR1/HK$10.10
8 contracts to sell NTD63,290,000	From 26 January 2015 to 10 June 2015	HK$1/NTD3.88 to HK$1/NTD4.10

22. Bank Balances and Cash

	2015	2014
	HK$'000	HK$'000
Fixed deposits held at banks with original maturity within three months	**—**	45,198
Bank balances and cash	**32,647**	25,603
	32,647	70,801

Bank balances carry interest at prevailing market rates of 0% to 0.001% (2014: 0.001% to 0.35%) per annum. As at 31 December 2014, fixed deposits held at banks with original maturity within three months carry fixed interest rates of 0.5% to 3.15% per annum (2015: nil).

23. Trade and Other Payables

	2015	2014
	HK$'000	HK$'000
Trade payables	**6,863**	6,156
Accrued expenses and deposits received from customers	**18,306**	18,352
Other payables	**1,823**	4,119
	26,992	28,627

The average credit period of trade payables is 30 days.

23. Trade and Other Payables (Continued)

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

	2015	2014
	HK$'000	HK$'000
Within 30 days	**6,795**	5,819
31 to 60 days	**—**	32
61 to 90 days	**15**	3
Over 90 days	**53**	302
	6,863	6,156

24. Obligation Under a Finance Lease

The Group leased a motor vehicle under a finance lease with lease term of 2 years. Interest rate underlying the obligation under a finance lease is fixed at respective contract date of 2.5% per annum. The lease has no terms of renewal or escalation clauses. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under a finance lease:				
Within one year	**157**	314	**155**	296
In more than one year and not more than two years	**—**	157	**—**	155
	157	471	**155**	451
Less: future finance charges	**(2)**	(20)	**—**	—
Present value of lease obligation	**155**	451	**155**	451
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(155)**	(296)
Amount due for settlement after 12 months			**—**	155

The Group's obligation under a finance lease is secured by the lessor's charge over the leased asset.

25. Bank Borrowings

	2015 HK$'000	2014 HK$'000
Bank loans	**47,256**	50,422
Loans related to bills discounted with recourse	**27,796**	15,905
Trust receipt loans	**134,240**	71,652
	209,292	137,979
Secured	**99,124**	72,623
Unsecured	**110,168**	65,356
	209,292	137,979
Carrying amount repayable*		
Within one year	**190,770**	107,881
More than one year, but not more than two years	**1,132**	1,176
More than two years, but not more than five years	**3,397**	3,530
More than five years	**5,660**	7,059
	200,959	119,646
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**8,333**	18,333
	209,292	137,979
Less: Amounts shown under current liabilities	**(199,103)**	(126,214)
Amounts shown under non-current liabilities	**10,189**	11,765

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

The above bank borrowings bear interests at benchmark interest rate of Central Bank of Taiwan plus 0.65% to 1.25% (2014: 0.65% to 1.25%) or Hong Kong Interbank Offered Rate plus 1.25% to 2.0% (2014: 1.5% to 2.5%) per annum.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings, is as follows:

	2015 HK$'000	2014 HK$'000
Effective interest rates:		
Variable-rate borrowings	**1.5%-2.5%**	1.5%-3.0%

Details of the pledged assets to secure the bank borrowings are set out in note 31.

26. Share Capital

The movement in share capital of the Company is as follows:

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	500,000,000	5,000
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 31 December 2015	200,000,000	2,000

There were no changes in the Company's authorised, issued and fully paid share capital during both years.

27. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme (the "HK MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong and Mandatory Provident Fund Scheme under the Labour Standards Law (as amended) in Taiwan (the "TW MPF Scheme") for employees employed in Taiwan. The HK MPF Scheme and the TW MPF Scheme are defined contribution retirement schemes administered by independent trustees. Under the HK MPF Scheme and TW MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% and 6%, respectively, of the employees' relevant income, subject to a maximum amount of HK$1,500 per month for each employee with effect from 1 June 2014 (from 1 January 2014 to 31 May 2014: HK$1,250) to the HK MPF Scheme while there is no cap to monthly income under the TW MPF Scheme. Contributions to the schemes vest immediately.

The employees employed by a subsidiary in Macau are members of the government-managed social benefits schemes operated by the Macau government. The subsidiary is required to pay a monthly fixed contribution to the social benefits schemes to fund the benefits. The only obligation of the Group with respect to the social benefits schemes operated by the Macau government is to make the required contributions under the schemes. The assets of the schemes are held separately from those of the Group in funds under the control of an independent trustee.

The employees employed in the subsidiaries established in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The retirement scheme cost recognised in profit and loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the scheme. At the end of each reporting period, the Group had no significant obligation apart from the contributions as stated above and there is no forfeited contribution arose upon employees leaving the retirement benefit schemes and which were available to reduce contributions payable.

28. Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 11 June 2013. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimise their performance and efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to the Group.

The board of directors may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 20,000,000 shares, being 10% of the total number of shares in issue at the time dealings in the shares of the Company first commence on the Stock Exchange.

The Share Option Scheme will remain in force for a period of ten years from its adoption date. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the board of directors may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the board of directors may determine in its absolute discretion.

No options were granted or exercised during both years and no share options were outstanding as at 31 December 2015 and 31 December 2014.

29. Operating Lease Commitments

As lessee

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

	2015 HK$'000	2014 HK$'000
Within one year	120,490	110,921
In the second to fifth years inclusive	65,207	107,907
Over five years	521	1,635
	186,218	220,463

Operating lease payments represent rentals payable by the Group for the warehouses, rental stores and department store counters. Leases are negotiated for terms ranging from one to seven years.

Certain retail stores and department store counters include payment obligations with rental varied with gross revenue. The contingent rents are determined generally by applying pre-determined percentages to realised sales less the basic rentals of the respective leases.

Included in above, the Group had future minimum lease payments under non-cancellable operating leases with related parties which are Becking Investment Limited ("Becking Investment"), which is wholly-owned by Mr. Chong Hok Shan, Mr. Chong Hot Hoi, and Chong Hok Hei, Charles, the shareholders of the Company and Mr. Chong Hok Shan, respectively.

	2015 HK$'000	2014 HK$'000
Within one year	952	759
In the second to fifth years inclusive	306	411
	1,258	1,170

As lessor

Investment properties were leased for a term of five years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015 HK$'000	2014 HK$'000
Within one year	887	923
In the second to fifth years inclusive	2,206	3,005
	3,093	3,928

30. Capital Commitments

	2015 HK$'000	2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**55**	6,376

31. Pledge of Assets

Leasehold land and buildings amounting to HK$19,572,000 (2014: HK$20,139,000) were pledged to secure the bank borrowings and banking facilities granted to the Group and refundable deposits (included in trade and other receivables), amounting to HK$767,000 (2014: HK$465,000), were pledged to secure the foreign currency forward contracts entered into with a bank, respectively.

Bills receivables amounting to HK$27,796,000 (2014: HK$15,905,000) were pledged to secure the loans related to bills discounted with recourse.

32. Related Party Transactions

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

Name of related companies	**Nature of transactions**	2015 HK$'000	2014 HK$'000
Becking Investment	Rental expense	**470**	441
Mr. Chong Hok Shan	Rental expense	**513**	386

Compensation of key management personnel

The remuneration of key management of the Group during the year was as follows:

	2015 HK$'000	2014 HK$'000
Salaries and allowances	**8,944**	8,890
Performance related incentive payments	**—**	1,509
Retirement benefit schemes contributions	**286**	284
	9,230	10,683

Key management personnel are deemed to be the members of the Board of Directors of the Company which has responsibility for planning, directing and controlling the activities of the Group.

33. Major Non-Cash Transaction

During the year ended 31 December 2014, the Group entered into a finance lease in respect of an asset with a total value of HK$598,000 at the inception of the finance lease (2015: nil).

34. Financial Information of the Company

The financial information of the Company as at 31 December 2015 and 2014 is as follows:

	2015	2014
	HK$'000	HK$'000
Non-current assets		
Investment in subsidiaries	**16**	16
Current assets		
Other receivables	**145**	188
Amounts due from subsidiaries	**95,144**	51,280
Bank balances and cash	**342**	45,482
	95,631	96,950
Current liabilities		
Other payables	**43**	—
Amounts due to subsidiaries	**88**	88
	131	88
Net current assets	**95,500**	96,862
Net assets	**95,516**	96,878
Capital and reserves		
Share capital	**2,000**	2,000
Reserves (Note)	**93,516**	94,878
Total equity	**95,516**	96,878

Note:

	Share premium	**Retained earnings**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2014	92,911	2,619	95,530
Profit for the year	—	7,348	7,348
Dividend paid	—	(8,000)	(8,000)
At 31 December 2014	92,911	1,967	94,878
Profit for the year	—	3,238	3,238
Dividend paid	—	(4,600)	(4,600)
At 31 December 2015	92,911	605	93,516

35. Particulars of Subsidiaries

Details of the Company's subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			2015	2014	
Advertisers' Media Agency Limited	Hong Kong	HK$10,000	**100%**	100%	Marketing and advertising of footwear products
Cobblers Limited	Hong Kong	HK$10,000	**100%**	100%	Trading of footwear products
Cobblers (Hong Kong) Trading Company Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding
Grand Asian	Hong Kong	HK$1,000,000	**100%**	100%	Trading of footwear products
Grandasian Retail (BVI) Holdings Limited	BVI	US$1	**100%**	100%	Investment holding
Kong Tai Sundry Goods	Hong Kong	HK$5,000,000	**100%**	100%	Trading of footwear products
Kong Tai Sundry Goods (BVI) Company Limited	BVI	US$1	**100%**	100%	Investment holding
KTS Properties Holdings Limited	BVI	US$1	**100%**	100%	Property holding
Shoe Mart Company Limited	Hong Kong	HK$10,000	**100%**	100%	Trading of footwear products
Shoes Culture Company Limited	Macau	MOP25,000	**100%**	100%	Trading of footwear products
Shoes Culture (Hong Kong) Trading Company Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding
S. Culture Holdings (BVI) Limited*	BVI	US$2,000	**100%**	100%	Investment holding
西寶(上海)商貿有限公司**^	PRC	RMB5,000,000	**100%**	100%	Trading of footwear products
鞋舍(上海)商貿有限公司**@	PRC	RMB5,000,000	**100%**	100%	Trading of footwear products

* Directly held by the Company

** Registered as wholly-foreign-owned enterprises under the Law of the PRC.

^ The registered capital of the subsidiary is RMB5,000,000. As at 31 December 2015, capital injection of RMB2,000,000 (2014: RMB2,000,000) was made and the remaining capital of RMB3,000,000 (2014: RMB3,000,000) will be injected before October 2019 according to the memorandum of association of the subsidiary.

@ The registered capital of the subsidiary is RMB5,000,000. As at 31 December 2015, capital injection to the subsidiary has not been completed. The capital will be injected before December 2019 according to the memorandum of association of the subsidiary.

None of the subsidiaries had any debt securities outstanding at 31 December 2015 and 2014 or at any time during both years.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is as follows:

Results

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**561,028**	590,539	550,134	505,289	472,443
(Loss) profit before tax	**(16,360)**	12,121	20,958	30,122	37,591
Income tax expense	**(13)**	(3,086)	(4,456)	(5,043)	(6,089)
(Loss) profit after tax	**(16,373)**	9,035	16,502	25,079	31,502

Assets and Liabilities

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**454,284**	407,301	395,256	294,625	265,625
Total liabilities	**(236,707)**	(167,946)	(154,144)	(144,953)	(141,497)
Total equity	**217,577**	239,355	241,112	149,672	124,128