



GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 393

ANNUAL REPORT 2015

Spring Is
Everywhere.

2016 SPRING COLLECTION

真維斯代言人
南太鉉



2016
Summer
Jeanswest

Think Green!

OUR CORE BUSINESS

Retail, trading and export of casual wear apparel

OUR VISION

To become a market leader in casual wear apparel retailing and
to be one of the best casual wear apparel suppliers

OUR MISSION

Focused on our customers, we endeavour to provide quality products and services with added value. We strive after:

- customer satisfaction;
 - staff development;
 - reasonable equity return; and
 - growth with our business partners,
- so as to benefit our community.

GLORIOUS SUN ENTERPRISES LIMITED

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CORPORATE INFORMATION

DIRECTORS

Executive

Dr. Charles Yeung, SBS, JP (*Chairman*)
 Mr. Yeung Chun Fan (*Vice-chairman*)
 Mr. Pau Sze Kee, Jackson
 Mr. Hui Chung Shing, Herman, SBS, MH, JP
 Ms. Cheung Wai Yee
 Mr. Chan Wing Kan, Archie

Independent non-executive

Mr. Lau Hon Chuen, Ambrose, GBS, JP
 Dr. Chung Shui Ming, Timpson, GBS, JP
 Mr. Wong Man Kong, Peter, BBS, JP
 Dr. Lam Lee G.

COMPANY SECRETARY

Mr. Mui Sau Keung, Isaac

AUTHORISED REPRESENTATIVES

Mr. Pau Sze Kee, Jackson
 Mr. Hui Chung Shing, Herman, SBS, MH, JP

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
 Clarendon House
 2 Church Street
 Hamilton HM11
 Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
 Services Limited
 Shops 1712-1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wan Chai
 Hong Kong

REGISTERED OFFICE

Clarendon House
 2 Church Street
 Hamilton HM11
 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

38/F., One Kowloon
 1 Wang Yuen Street
 Kowloon Bay
 Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
 Corporation Limited
 Bank of China (Hong Kong) Limited
 Hang Seng Bank Limited
 UBS AG
 Australia and New Zealand Banking
 Group Limited
 Crédit Agricole Corporate and
 Investment Bank
 The Bank of East Asia, Limited

WEBSITE

<http://www.glorisun.com>

STOCK CODE

393

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Glorious Sun Enterprises Limited (the “Company”) will be held at Dynasty II, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 2 June 2016 at 3:30 p.m. for the following purposes:

- (1) To receive and consider the financial statements and the reports of the directors and auditors for the year ended 31 December 2015.
- (2) To declare the final dividend for the year ended 31 December 2015.
- (3) (A) (I) To elect Mr. Pau Sze Kee, Jackson as an executive director of the Company.
(II) To elect Ms. Cheung Wai Yee as an executive director of the Company.
(III) To elect Mr. Wong Man Kong, Peter as an independent non-executive director of the Company.
(B) To authorise the board of directors to fix the remuneration of directors.
- (4) To appoint auditors and to authorise the board of directors to fix their remuneration.
- (5) As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

- (A) “THAT:
 - (I) subject to sub-paragraph (III) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (II) the approval in sub-paragraph (I) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (III) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraph (I) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or upon the exercise of rights of conversion or subscription under any securities which are convertible into shares of the Company or (b) the share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (c) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend

NOTICE OF ANNUAL GENERAL MEETING

on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate number of issued shares of the Company on the date of this resolution and (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of shares of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate number of issued shares of the Company at the date of passing this resolution) and the said approval shall be limited accordingly; and

(IV) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(B) “THAT:

- (I) subject to sub-paragraph (II) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase shares in the issued share capital of the Company be and is hereby generally and unconditionally approved;
- (II) the aggregate number of shares of the Company which the Company is authorised to purchase pursuant to the approval in sub-paragraph (I) of this resolution shall not exceed 10 per cent. of the aggregate number of issued shares of the Company on the date of this resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(III) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**THAT** the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (I) of the resolution set out as resolution (5)(A) in the notice of the meeting of which this resolution forms a part in respect of the number of shares of the Company referred to in sub-paragraph (bb) of paragraph (III) of such resolution.”

(6) To transact any other ordinary business of the Company.

By Order of the Board

Mui Sau Keung, Isaac
Company Secretary

Hong Kong, 25 April 2016

Principal Place of Business:
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's principal place of business at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.
3. The register of members of the Company will be closed from Tuesday, 31 May 2016 to Thursday, 2 June 2016, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 30 May 2016.
4. The register of members of the Company will also be closed from Wednesday, 8 June 2016 to Friday, 10 June 2016, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 7 June 2016.
5. In relation to agenda item No. (3)(A) in this Notice regarding election of directors, Mr. Pau Sze Kee, Jackson, Ms. Cheung Wai Yee and Mr. Wong Man Kong, Peter, BBS, JP will retire by rotation at the forthcoming annual general meeting of the Company pursuant to bye-law 110(A) of the Company's Bye-laws and, being eligible, offer themselves for re-election.
6. The biographical details and length of service with the Company of all the directors who stand for re-election at the forthcoming annual general meeting are set out in the "Directors' and senior management's biographies" section in this annual report.
7. The amount of emoluments paid for the year ended 31 December 2015 to each of the directors who stand for re-election at the forthcoming annual general meeting is set out in note 8 to the financial statements in this annual report and the basis of determining such emoluments is set out in the "Emolument policy" section in this annual report.
8. Other biographical details of each of the directors who stand for re-election at the forthcoming annual general meeting are set out below to enable shareholders to make an informed decision on their re-elections. Save for the information set out in this paragraph 8 and in paragraphs 5 to 7 above, there is no information to be disclosed pursuant to any requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of shareholders in respect of the directors who stand for re-election at the forthcoming annual general meeting.
 - 8.1 Mr. Pau Sze Kee, Jackson, aged 64, is an executive director of the Company and his interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at 18 April 2016, being the latest practicable date prior to the printing of this Notice (the "latest practicable date").

Mr. Pau was a director of Tetra Finance (HK) Limited, a deposit-taking company incorporated in Hong Kong. Due to liquidity problems, the company was ordered to be wound up by the Supreme Court of Hong Kong on 4 March 1983. The amount involved was about HK\$1 billion. Mr. Pau has been told that the winding up was completed in 1999.

NOTICE OF ANNUAL GENERAL MEETING

- 8.2 Ms. Cheung Wai Yee, aged 64, is an executive director of the Company and the spouse of Mr. Yeung Chun Fan. As at the latest practicable date, Ms. Cheung Wai Yee holds 6,730,000 shares and is deemed to hold 1,120,758,000 shares of the Company (being 926,870,000 shares were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 138,540,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Mr. Charles Yeung and as to 48.066% by Mr. Yeung Chun Fan), 2,700,000 shares were held by G. S. Strategic Investment Limited (the entire issued voting share capital of which was held as to 50% by each of Mr. Charles Yeung and Mr. Yeung Chun Fan), 51,648,000 shares were held by Mr. Charles Yeung and Mr. Yeung Chun Fan jointly and 1,000,000 shares were held by Mr. Yeung Chun Fan) within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").
- 8.3 Mr. Wong Man Kong, Peter, BBS, JP, aged 67, is an independent non-executive director of the Company. Mr. Wong is also a director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Limited and MGM China Holdings Limited. Mr. Wong does not have any interest in the shares of the Company.

The Board believes that Mr. Wong having extensive business experience particularly in the People's Republic of China and the considerable experience in the boards of listed companies would contribute continuous improvement on internal controls and corporate governance matters of the Company. Accordingly, the Board is of the view that the re-election of Mr. Wong as an independent non-executive director of the Company is in the interests of the Company notwithstanding that he has served in such capacity for more than nine years.

9. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CHAIRMAN'S STATEMENT



GROUP RESULTS

In the year under review, global economies developed slower than the market expectation. It only grew 3.3% which was lower than that of the previous year. Due to the slow-down of economic activities, the prices of crude oil and bulk commodities plummeted down to the lowest points; those resources export oriented economies took the blow. During the year, capital flow consistently leaned in favour of the US, and pushed up the US dollar index from 78.90 on 8 May 2014 to 98.63 on 31 December 2015 representing an appreciation of 25%. Strong greenback undermined the growth of US exports and the momentum of its economic recovery. US GDP in 2015 was only expected to grow around 2.4% similar to that of 2014. Consequentially, Federal Reserve had to postpone the commencement of interest rate normalisation to December 2015. In the period, the Eurozone and Japan respectively managed to have mild economic retrieval but the demand for more quantitative easing measures had echoes from the markets revealing the feebleness of their economies. PRC economy encountered not only the mounting downward pressure but also the bubble burst of A shares and the commencement of RMB devaluation against US dollar. All these deeply eroded the confidence of investors and consumers and dismayed the apparel retail sentiment. Business environment turned negative, particularly in the second half of the year. Hong Kong economy was vulnerable to global economic slow-down especially the sluggish development in Mainland China. Export and re-export volumes descended accordingly. Internally, the costly property market also began its correction as its expensive price was beyond the affordability of the buyers. The strong dollars also encroached on the competitiveness of Hong Kong. Tourism, hotels and retailing took the direct punch. In short, the Group's retailing in Greater China was adversely affected. Comparatively, the retailing business in Australia and New Zealand showed improvement and Jeanswest performance there was in line with the budget.

For the above-mentioned reasons, the Group's consolidated turnover and the net profit attributable to ordinary equity holders decreased by 25.91% and 26.17% respectively.

CHAIRMAN'S STATEMENT

Hereunder are the highlights of our performance in the year under review:

	2015	2014	Changes
<i>(Unit: HK\$'000)</i>			
Consolidated sales	4,337,606	5,854,683	↓ 25.91%
of which:			
A. Total retail sales in the PRC	2,805,737	3,971,720	↓ 29.36%
B. Total retail sales in Australia & New Zealand	1,088,602	1,308,003	↓ 16.77%
Sub-total	3,894,339	5,279,723	↓ 26.24%
C. Total export sales	441,524	572,821	↓ 22.92%
Profit attributable to equity holders of the Company	88,152	119,405	↓ 26.17%
<i>(Unit: HK cents)</i>			
Earnings per share (basic)	8.51	11.30	↓ 24.69%
Dividend			
– Final	4.30	6.27	↓ 31.42%
– Total	7.70	10.27	↓ 25.02%
<i>(Unit: HK\$'000)</i>			
Net cash in hand	535,153	831,513	↓ 35.64%

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK4.30 cents (2014: HK6.27 cents) per share for the year ended 31 December 2015 at the forthcoming annual general meeting to be held on Thursday, 2 June 2016. The final dividend amounting to HK\$44,035,000, if approved by the shareholders of the Company, will be paid on Tuesday, 21 June 2016 to those shareholders whose names appear on the register of members of the Company on Friday, 10 June 2016.

CHAIRMAN'S STATEMENT

REVIEW OF BUSINESSES

Retailing

In 2015, the weakening of apparel retail activities in Mainland China deepened due to the pro-longed slow-down of macro-economic development especially in the second half of the year when the stock market slumped and RMB commenced to debase against US dollar. Consequentially, consumers' desire turned puny and market sentiment deteriorated further. Sluggish market environment intensified competition amongst retailers and compounded price markdown. The Management tried to alleviate the impacts but the margin was still under pressure and thus Jeanswest in Mainland China down performed when compared with last year. Although the economies in Australia and New Zealand were still in the process of re-balancing, the overall retail market conditions were slightly better than the previous year. The Management's effort to enrich the product design and improve the product quality met with warm acceptance from patronages notwithstanding a slight upward adjustment of the selling price. As a result, Jeanswest operations in Australia and New Zealand managed to deliver a result better than last year. In spite of the tough market conditions, Jeanswest e-shops in Mainland China, Australia and New Zealand all recorded an impressive growth.



CHAIRMAN'S STATEMENT

The Group's retail network has stretched out from Mainland China and Australia to New Zealand, Hong Kong, Macao, the Middle East, as well as Vietnam, Malaysia, Indonesia, Mongolia, Nepal, New Guinea, Fiji, Russia, Iran and Venezuela. There were a total of 2,249 stores at the year-end 2015 (2014: 2,631), of which 1,427 stores (2014: 1,577) were operated under franchise arrangements. For the financial year under review, the Group's aggregate sales from its retail operations amounted to HK\$3,894,339,000 (2014: HK\$5,279,723,000) representing a year-on-year decrease of 26.24%. Contribution from its retail operations to the Group's consolidated sales was 89.78%. Inventory turnover days increased from 45 days to 50 days.

1. The PRC

i. Jeanswest

The brand name of "Jeanswest" remained the Group's flagship business in Mainland China. In 2015, PRC was still in the process of re-aligning its economic activities. Deceleration of economic growth was the "new normal" situation under which retail activities were fairly slothful. Various measures implemented by the Management not only managed to stabilize the business in the first half of the year but even brought about a mild improvement in operational margin when compared with the same period in 2014. However, macro-economic conditions aggravated in the second half of the year due to the compound effects of stock market prices collapse and the tumble of RMB exchange rate against US dollar, consumers' desire further weakened leading to intensified dumping in the market as well as shrinking of our profit margin. The Group's franchising development was also adversely affected and the same store sales encountered a continuous double-digit decrease. Under such tough business environment, the Management opted to clean up inventory even at the expense of our profit margins and strived to retrench operational costs to keep in abreast with the



the market as well as shrinking of our profit margin. The Group's franchising development was also adversely affected and the same store sales encountered a continuous double-digit decrease. Under such tough business environment, the Management opted to clean up inventory even at the expense of our profit margins and strived to retrench operational costs to keep in abreast with the

CHAIRMAN'S STATEMENT



drop in turnover. Incentive measures to assist our franchisees were persevered especially in the conversion of some directly managed stores into franchised stores. During the period, our product design embracing with more trendy elements did brighten up the brand image but had to take some time to be fully accepted by our customers. The consolidation of our network and reduction of our retail outlets together with abnormal winter climate deeply affected our sales. The underdevelopment of franchising was also one of the reasons. Therefore, Jeanswest performance in Mainland China was worse than last year.

In May 2015 the State Administration for Industry and Commerce accredited Jeanswest as one of the well-known brands in PRC. The General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China also granted Jeanswest the recognition as one of the 50 most valuable brands in the apparel sector.

In the year under review, turnover of PRC retails decreased by 29.36% to HK\$2,805,737,000 (2014: HK\$3,971,720,000), accounting for 64.68% of the Group's consolidated sales. As at 31 December 2015, Jeanswest operated 1,906 stores (2014: 2,284) covering over 250 cities in the PRC, among which 1,333 stores (2014: 1,492) were under franchise arrangements.

ii. Quiksilver Glorious Sun

In the year under review, the lethargic retail market sentiment in Greater China had impacts on the sales and profit of Quiksilver Glorious Sun especially in Macao. Management endeavoured to consolidate the retail network by closing down those under-performed stores and to focus on the development of wholesaling and franchising. Wholesaling in Hong Kong progressed smoothly but in Mainland China was contained by shortage of working capital among those small business firms. E-shop consecutively showed a remarkable growth. Management had entered into contracts with Hong Kong TV, Mydress and Zalora to broaden our e-commerce coverage. The initial performance of the newly introduced Yoga series and the enriched skiing line basically met with Management's expectation.



CHAIRMAN'S STATEMENT

2. Australia and New Zealand

In the year under review, Australia was in the transitional stage of re-balancing its development; GDP therefore only grew around 2.5%, lower than the historical average and unemployment stood at a high level of around 6%. Business environment for apparel retailers was difficult as competition was fierce and aggressive markdown was a common phenomenon. The Management's endeavour in up-lifting the product quality and design with a moderately lifted in pricing was appreciated by our patronages. The Management also consolidated the network and refurbished most of the other stores with the latest design style to refresh the brand image. A new ERP system was implemented to integrate the accounting, sourcing and store operation systems to enhance efficiency and to save operational costs. In local dollar terms, Jeanswest in Australia and New Zealand had regained its normal growth with improvement in turnover and operational margin when compared with that in 2014.

For the year under review, turnover of HK\$1,088,602,000 (2014: HK\$1,308,003,000) was registered in Australia and New Zealand markets showing a decrease of 16.77% on year-on-year basic. As at the end of 2015, Jeanswest operated a network of 228 stores (2014: 239) in Australia and New Zealand, among which 6 (2014: 6) were under franchises arrangements.

3. Overseas Franchise Operations

Contributed from the rapid development in international franchising, the Group's Overseas Franchise Operations had a noteworthy growth in turnover in 2015. The Management also entered into agreements with our franchisees in Saudi Arabia and expected to have the first Jeanswest store open there in the first quarter of 2016. However, some of our franchise operations in South East Asia were adversely affected by the devaluation of the local currencies there.

Export

Our export operations were largely on the design, manufacture, and export for Costco's private labels. During the period, Costco shifted its focus from promoting its own lady labels to private labels in the markets and bought less from the Group. Meanwhile, Costco's orders for man labels remained.

For the year ended 31 December 2015, the Group's sales from exports amounted to HK\$441,524,000 (2014: HK\$572,821,000) decreased by 22.92% from last year.

CHAIRMAN'S STATEMENT

FINANCIAL POSITION

The Group's financial position remained very healthy. In the year under review, the Group was in net cash position and had entered into foreign currency forward contracts to hedge its exposure to foreign currency risks in respect of the Australian dollars.

HUMAN RESOURCES

As at 31 December 2015, the Group employed about 8,000 employees (2014: 10,000). The Group offered competitive remuneration packages to them. In addition, bonus and share options were granted based on the Group's results and individual performance from time to time.

SOCIAL RESPONSIBILITY

It is the deep conviction of the Management that in pursuing maximum returns for shareholders, the Group had to bear its social responsibilities. In addition to the strict adherence to stringent environmental protection policies and regulations, the Group also made direct contributions to the society. Every year the Group continues with the usual donations to build "Jeanswest Hope Primary Schools" and to finance the "Jeanswest University Students Sponsorship Fund" and the "Jeanswest Hope Teachers Program". In September 2015, the Group installed the Activity Based Carbon Footprint Modeling System ("ACFM System") developed by Hong Kong Clothing Industry Training Authority. ACFM System collects and analyses the Group's expenses in electricity, natural gas, gasoline, diesel, water and the likes so as to monitor the Group's direct and indirect carbon emission volume. Thereafter, an objective yardstick to measure effort in saving energy and carbon emission has been established for every departments and units to strive for and bases on that to compete with their peers. The Management also recommends this ACFM System to our contractors and invites them to join us to preserve our future in green.

PROSPECTS

2016 will be a very challenging year. The Management has reservations in the global financial development and worries about the weakening trend in last year may stretch out to 2016 or at least to the first half of the year. US recovery is expected to be steady but dollar rate is in its up-trend to curtail its dynamic and contribution to global economic growth. In Eurozone and Japan, quantitative easing measures will be persisted but those effects are diminishing. The expectation of dollar rate to move upwards will further motivate capital flowing from emerging countries to US. It may cause the weakening currencies of emerging countries to debase deeply and in the worst case may even inflame global financial crisis.

In year ahead, China is still in the process of its economic reform and its development may be decelerating. China GDP in 2016 is forecasted in the markets to grow around 6.5%. Market elements are expected to become more influential to RMB and will also increase its volatility.

CHAIRMAN'S STATEMENT

Therefore, 2016 may be a tough year to China. The correlation of the economies between Mainland China and Hong Kong is very high. The slow-down of export and import activities in Mainland China will directly contain the performance of Hong Kong export and re-export sectors. In the last twenty months, US dollar had appreciated 25%. If US dollar continues to grow strong, it will further undermine the competitiveness of Hong Kong and jeopardize local businesses, in particular, tourism, hotels and retailing. The advent of interest rising cycle also causes the costly property market to commence its overdue correction. In other words, Hong Kong economic drivers – property, import & export and tourism related sectors will all lose their growth momentum at the same time. 2016 will inevitably be an arduous year to Hong Kong.

Under such challenging environment, the focal point this year is on the retrenchment of operational costs through simplifying our structure and streamlining our operational procedures so as to ensure the reduction of our costs in abreast with the possible drop of our turnover. The Management will strive to renegotiate with landlords to ensure rentals of our shops will reflect the latest sluggish retail market conditions. Only those shops in locations that are vital to project Jeanswest's brand image will be opened according to schedule. Under-performed stores will be closed resolutely. Incentives to franchisees to expand their operations will be persisted especially in the aspect of converting some directly managed stores into franchisees' stores. In-depth analysis of our products will be made to assess each individual product's market performance so as to improve our product design, quality and the right proportion of its mix. The Management will also endeavour to further compress our production lead-time to enhance our competitiveness and versatility to the changes in the market.

For our export operations, the Management will focus on the expansion of our ODM businesses by developing more new products and soliciting more new customers.

Barring unforeseen circumstances, the Management is confident that the Group will continue to bring reasonable returns to its shareholders in 2016.

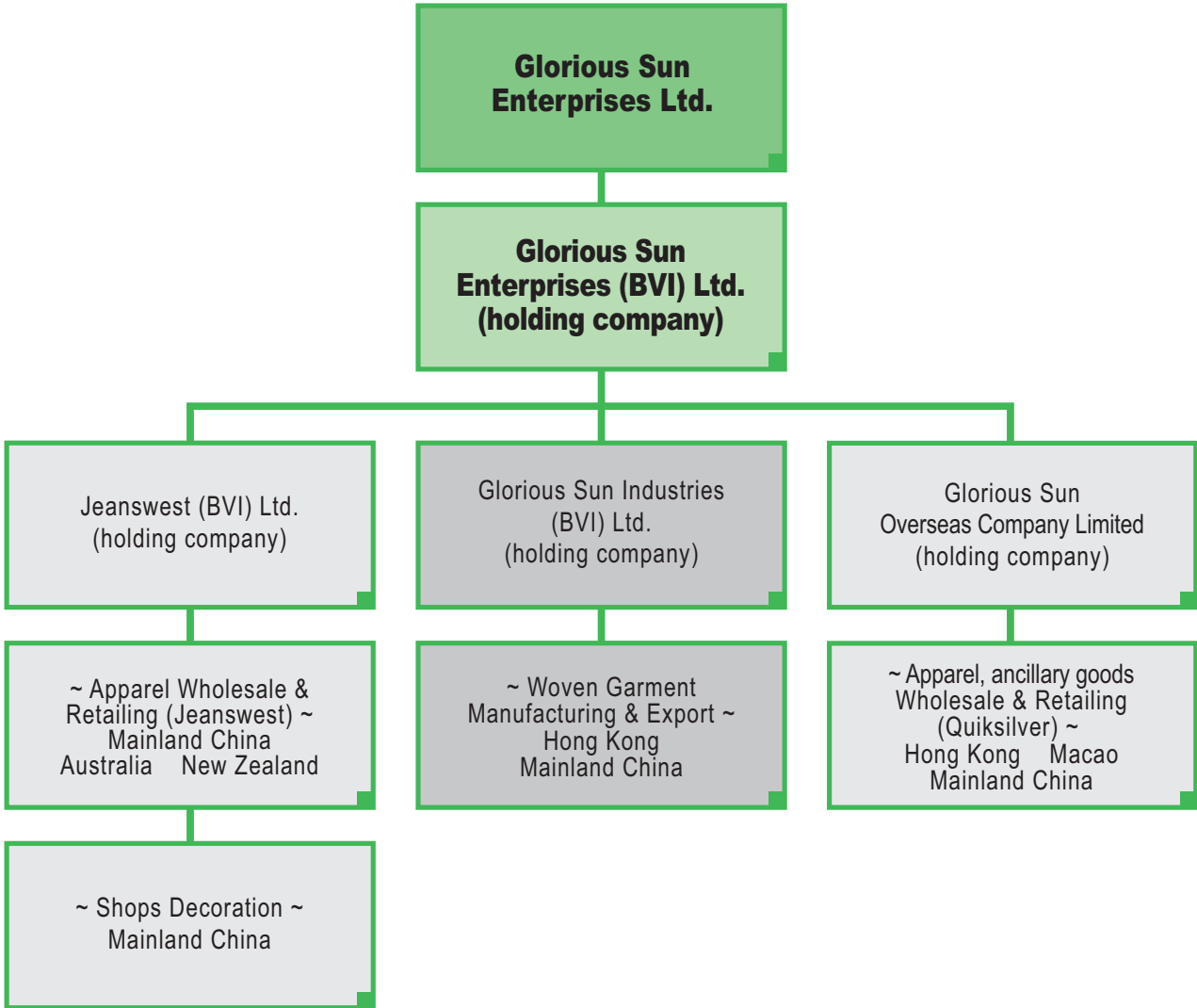
APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

Dr. Charles Yeung, SBS, JP
Chairman

Hong Kong, 24 March 2016

GROUP BUSINESS STRUCTURE



Retail Networks in the PRC

Total no. of shops:	Mainland China	1,911
	Hong Kong	29
	Macao	2
	Total	1,942



Retail Network in Australia and New Zealand

Total no. of shops : 228





Spring Is
Everywhere.

2016 SPRING COLLECTION

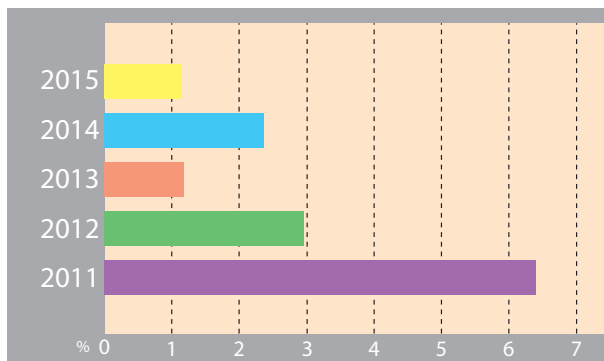
JEANSWEST

FINANCIAL HIGHLIGHTS

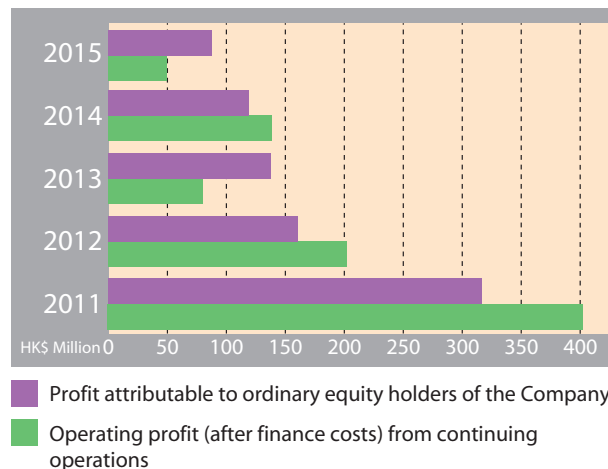
	2015	2014	2013	2012	2011
Revenue (HK\$'000)	4,337,606	5,854,683	6,754,220	6,801,829	6,258,407
Increase/(decrease) in revenue in percentage	(25.91%)	(13.32%)	(0.70%)	8.68%	14.90%
Revenue analysis:					
1. Retail					
a. The PRC (HK\$'000)	2,805,737	3,971,720	4,682,007	4,959,305	4,729,559
b. Australia & New Zealand (HK\$'000)	1,088,602	1,308,003	1,396,359	1,376,428	1,228,918
2. Export (HK\$'000)	441,524	572,821	674,637	464,791	297,911
3. Others (HK\$'000)	1,743	2,139	1,217	1,305	2,019
Operating margin (%)	1.16%	2.38%	1.18%	2.97%	6.44%
Profit attributable to ordinary equity holders of the Company (HK\$'000)	88,152	119,405	138,455	160,876	317,268
Increase/(decrease) in profit attributable to ordinary equity holders of the Company in percentage	(26.17%)	(13.76%)	(13.94%)	(49.29%)	(12.74%)
Equity attributable to ordinary equity holders of the Company (HK\$'000)	2,039,838	2,134,230	2,232,460	2,419,745	2,512,798
Working capital (HK\$'000)	506,872	693,764	918,665	846,762	1,075,451
Total liabilities to equity ratio	0.81	1.26	0.91	1.12	0.99
Net cash to equity ratio	0.26	0.39	0.50	0.44	0.57
Current ratio	1.32	1.26	1.45	1.31	1.43
Inventory turnover (days)	50	45	49	59	68
Return on total assets (%)	2.38%	2.47%	3.23%	3.07%	6.18%
Return on equity (%)	4.32%	5.59%	6.20%	6.65%	12.63%
Return on sales (%)	2.03%	2.04%	2.05%	2.37%	5.07%
Earnings per share (HK cents)					
Basic	8.51	11.30	13.07	15.19	29.95
Diluted	8.51	11.30	13.07	15.19	29.95
Dividend per share (HK cents)	7.70	10.27	12.15	12.15	20.60

FINANCIAL HIGHLIGHTS

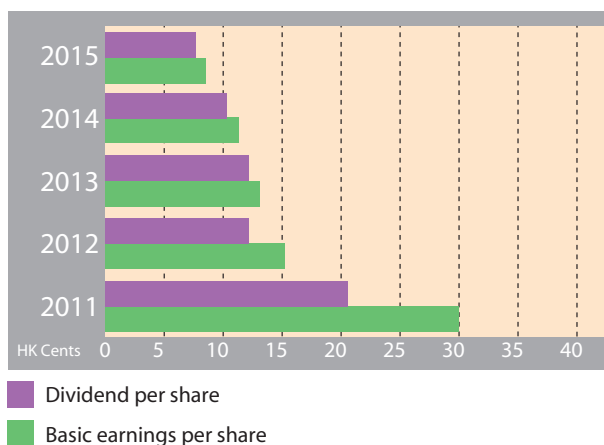
OPERATING MARGIN FROM CONTINUING OPERATIONS (AFTER FINANCE COSTS)



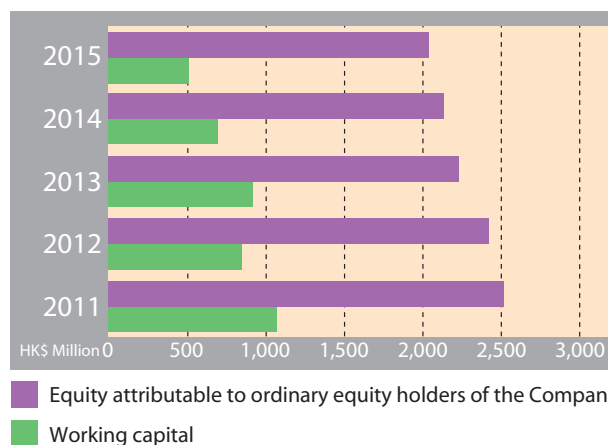
OPERATING PROFIT FROM CONTINUING OPERATIONS AND PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE

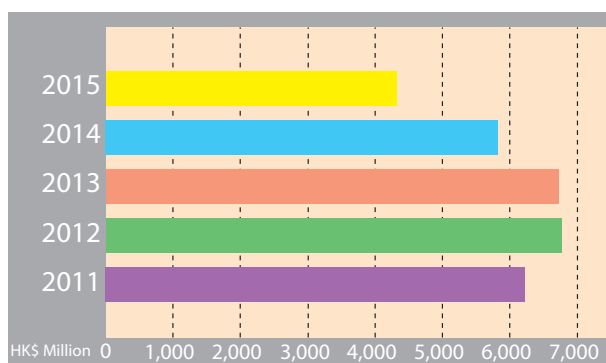


WORKING CAPITAL AND EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

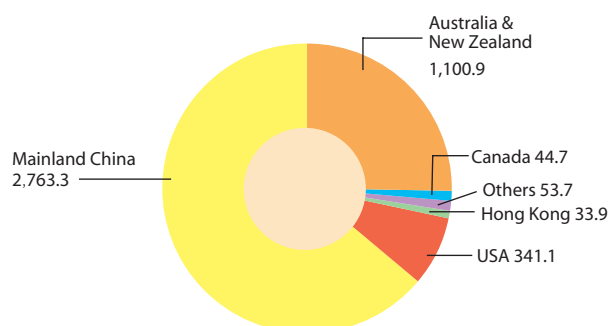


FINANCIAL HIGHLIGHTS

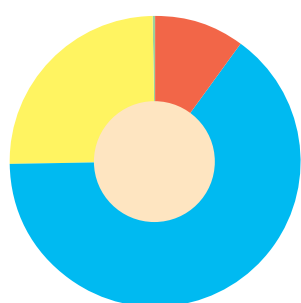
REVENUE FROM CONTINUING OPERATIONS
(HK\$ Million)



REVENUE FROM CONTINUING OPERATIONS
BY GEOGRAPHICAL LOCATIONS
(HK\$ Million)

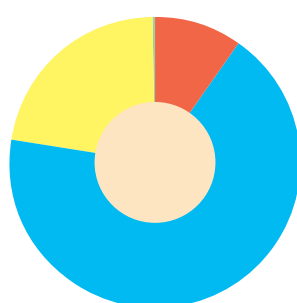


REVENUE FROM CONTINUING OPERATIONS BY ACTIVITIES (HK\$ Million)



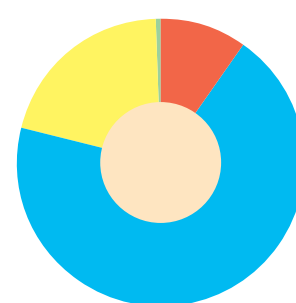
2015

Export	441.5
Retail - The PRC	2,805.7
Retail - Australia & New Zealand	1,088.6
Others	1.8



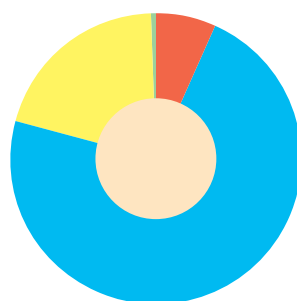
2014

Export	572.8
Retail - The PRC	3,971.7
Retail - Australia & New Zealand	1,308.0
Others	2.2



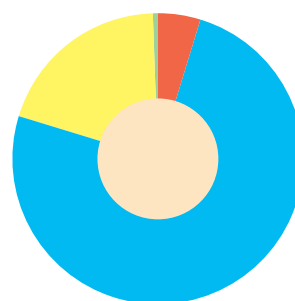
2013

Export	674.6
Retail - The PRC	4,682.0
Retail - Australia & New Zealand	1,396.4
Others	1.2



2012

Export	464.8
Retail - The PRC	4,959.3
Retail - Australia & New Zealand	1,376.4
Others	1.3



2011

Export	297.9
Retail - The PRC	4,729.6
Retail - Australia & New Zealand	1,228.9
Others	2.0

OPERATION HIGHLIGHTS

Year ended 31 December 2015

RETAIL OPERATION HIGHLIGHTS

	2015	2014	2013	2012	2011
Net sales for the Year (HK\$'000)	3,894,339	5,279,723	6,078,366	6,335,733	5,958,477
The PRC	2,805,737	3,971,720	4,682,007	4,959,305	4,729,559
Australia & New Zealand	1,088,602	1,308,003	1,396,359	1,376,428	1,228,918
Retail floor area of directly managed shops (sq.ft.)	1,061,694	1,328,426	1,569,263	1,738,625	1,718,881
The PRC	707,343	960,644	1,211,106	1,388,216	1,376,922
Australia & New Zealand	354,351	367,782	358,157	350,409	341,959
Number of sales persons	4,543	6,176	8,130	9,875	10,062
The PRC	3,148	4,697	6,684	8,489	8,774
Australia & New Zealand	1,395	1,479	1,446	1,386	1,288
Number of employees	6,105	8,184	10,497	12,395	12,584
The PRC	4,548	6,530	8,879	10,876	11,165
Australia & New Zealand	1,557	1,654	1,618	1,519	1,419
Number of directly managed shops	795	1,025	1,257	1,443	1,440
The PRC	573	792	1,029	1,215	1,217
Australia & New Zealand	222	233	228	228	223
Number of franchised shops	1,339	1,498	1,528	1,587	1,716
The PRC	1,333	1,492	1,522	1,581	1,710
Australia & New Zealand	6	6	6	6	6
Total number of retail shops	2,134	2,523	2,785	3,030	3,156
The PRC	1,906	2,284	2,551	2,796	2,927
Australia & New Zealand	228	239	234	234	229

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance and has applied throughout the year ended 31 December 2015 (the “year under review”) the principles set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code save and except for the deviation from code provision A.6.7 of the CG Code.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, Dr. Chung Shui Ming, Timpson, GBS, JP, an independent non-executive Director, was not present at the Company’s annual general meeting for the year 2015 and the special general meeting, both held on 2 June 2015.

The Board of Directors of the Company (the “Board”) continues to monitor and review the Company’s corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

The Board is committed to making decisions in the best interests of both the Company and its shareholders (the “Shareholders”). The Board’s primary responsibilities are to formulate the Company’s long-term corporate strategy, to oversee the overall management of the Group’s business and affairs, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board.

In addition, the Board has also established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

CORPORATE GOVERNANCE REPORT

In the year under review and up to the date of this report, the Board comprises the following members:

Executive

Dr. Charles Yeung, SBS, JP (Chairman)
 Mr. Yeung Chun Fan (Vice-chairman)
 Mr. Yeung Chun Ho (passed away on 14 January 2016)
 Mr. Pau Sze Kee, Jackson
 Mr. Hui Chung Shing, Herman, SBS, MH, JP
 Ms. Cheung Wai Yee
 Mr. Chan Wing Kan, Archie

Independent non-executive

Mr. Lau Hon Chuen, Ambrose, GBS, JP
 Dr. Chung Shui Ming, Timpson, GBS, JP
 Mr. Wong Man Kong, Peter, BBS, JP
 Dr. Lam Lee G.

One of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The Company has complied with Rule 3.10A of the Listing Rules which requires the number of independent non-executive directors representing at least one-third of the Board.

The biographical details of and the relationship among the members of the Board are set out in the “Directors’ and senior management’s biographies” section in the Report of the Directors.

The roles of the Chairman and the Chief Executive Officer are separate and are performed by Dr. Charles Yeung, SBS, JP and the General Manager of the Group, Mr. Yeung Chun Fan, respectively. Their respective responsibilities are clearly defined and are set out in writing. Mr. Yeung Chun Fan is also the Vice-chairman of the Board.

The Chairman takes the lead in formulating and setting Group strategies and policies in conjunction with the Board; oversees the function of the Board and encourages and facilitates constructive relations between executive and independent non-executive Directors.

The General Manager, supported by other Board members and the senior management, is responsible for overseeing the Group’s business operation, implementing the strategies laid down by the Board and managing day-to-day operation.

CORPORATE GOVERNANCE REPORT

The Nomination Committee, which was established by the Board in March 2012, is responsible for reviewing its size, structure and composition (including the skills, knowledge and experience) of the members of the Board to ensure that the Board has a balance of expertise, skills, knowledge and experience appropriate for the business of the Company. During the year 2015, no new Director had been selected or recommended for directorship.

The Nomination Committee has reviewed and made recommendation to the Board on the appointments of the Directors standing for re-election at the forthcoming annual general meeting of the Company which is to be held on 2 June 2016. The Board has accepted such recommendation.

All the independent non-executive Directors are appointed for a specific term of two years and are required to retire and eligible for re-election at the annual general meeting of the Company in the year of expiry of the term.

The Board adopted a policy concerning the diversity of Board members in August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on personal virtue and meritocracy for constituting a high quality directorate team. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee monitors the implementation of the policy and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

Each independent non-executive Director has given the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all the independent non-executive Directors to be independent.

Mr. Lau Hon Chuen, Ambrose, GPS, JP has confirmed that he is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries and he is a director and shareholder of Chu & Lau Nominees Limited ("C&LN"), and that he himself, the law firm and C&LN have acted for the Company, its related or connected companies or persons. The Board considered that the amounts involved for the services provided are insignificant, and the services received from Mr. Lau, the law firm and C&LN were in the ordinary course of business and on normal commercial terms and would in no way affect the independence of Mr. Lau. Accordingly, the Board has confirmed that Mr. Lau is independent of the Company.

CORPORATE GOVERNANCE REPORT

MEETINGS AND ATTENDANCE

The Board met on six occasions during the year under review. The attendance of individual Directors at the Board meetings, the Board Committees (the Audit Committee, the Remuneration Committee and the Nomination Committee) meetings, the annual general meeting for the year 2015 and the special general meeting is set out in the table below:

Directors	Board	Meetings Attended/Held			Annual General Meeting	Special General Meeting
		Audit Committee	Remuneration Committee	Nomination Committee		
<i>Executive</i>						
Dr. Charles Yeung, SBS, JP	5/6*			1/1	1/1	1/1
Mr. Yeung Chun Fan	4/6*				1/1	1/1
Mr. Yeung Chun Ho [#]	0/6 [^]				0/1	0/1
Mr. Pau Sze Kee, Jackson	6/6		2/2		1/1	1/1
Mr. Hui Chung Shing, Herman, SBS, MH, JP	6/6				1/1	1/1
Ms. Cheung Wai Yee	4/6 [^]				1/1	1/1
Mr. Chan Wing Kan, Archie	6/6				1/1	1/1
<i>Independent non-executive</i>						
Mr. Lau Hon Chuen, Ambrose, GBS, JP	6/6	2/2		1/1	1/1	1/1
Dr. Chung Shui Ming, Timpson, GBS, JP	3/6	2/2	2/2	1/1	0/1	0/1
Mr. Wong Man Kong, Peter, BBS, JP	6/6	1/2	2/2		1/1	1/1
Dr. Lam Lee G.	6/6	1/2			1/1	1/1

* *these Directors had material interest in the connected transaction discussed at a Board meeting and hence they abstained from attending the meetings*

[^] *even though these Directors did not have material interest in the connected transaction discussed at a Board meeting, as good corporate governance measure, these Directors abstained from attending the meetings due to their relationship with those Directors who had material interest in the transaction*

[#] *Mr. Yeung Chun Ho passed away on 14 January 2016 and ceased to be a Director on the same date*

During the year under review, the Chairman of the Board had a meeting with the independent non-executive Directors without the presence of executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with the CG Code to oversee particular aspects of the Company's affairs. All or a majority of the members of these Committees are independent non-executive Directors. The Board Committees have clear written terms of reference and have to report to the Board on their decisions and recommendations.

On 10 December 2015, the Investment Committee was established by the Board with specific written terms of reference. Further details of the Investment Committee are set out in the latter part of this report.

The Audit Committee

The Audit Committee has been established since 1998. Currently it comprises four independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP (Committee Chairman), Dr. Chung Shui Ming, Timpson, GBS, JP, Mr. Wong Man Kong, Peter, BBS, JP and Dr. Lam Lee G. While recognising the Audit Committee plays an important role in corporate governance, the Board has delegated the corporate governance functions to the Audit Committee. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Apart from corporate governance functions, the main responsibilities of the Audit Committee are to review the accounting principles and practices adopted by the Group and to review the effectiveness of the financial reporting process and internal control system of the Group.

The Audit Committee held two meetings during the year under review. The work of the Audit Committee in 2015 included the following:

- review of the annual results announcement, financial statements, report of the Directors and corporate governance report for the year 2014
- review of the 2015 interim results announcement and interim report
- review of the internal audit reports and risks assessment report, all prepared by the internal audit department of the Company
- review of continuing connected transactions for the year 2014 and for the six months ended 30 June 2015
- review of the terms of engagement and the remuneration of the external auditors

CORPORATE GOVERNANCE REPORT

- assessment of the independence of the external auditors
- review of a report prepared by the external auditors on any issues arising from their audits

In addition, during the year under review, the Audit Committee met with the external auditors of the Company and the head of the internal audit department of the Company respectively in a separate private session and in the absence of management. The Audit Committee has also performed the corporate governance duties as delegated to it by the Board.

The Remuneration Committee

Currently, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Wong Man Kong, Peter, BBS, JP (Committee Chairman) and Dr. Chung Shui Ming, Timpson, GBS, JP and an executive Director, Mr. Pau Sze Kee, Jackson. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The main responsibilities of the Remuneration Committee are to review and endorse the remuneration policy of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors and senior management. The Remuneration Committee ensures that no Director is involved in deciding his/her own remuneration.

The Remuneration Committee held two meetings during the year under review. The work of the Remuneration Committee in 2015 included the following:

- approval of and recommendation to the Board on 2015 salary increases, 2014 year-end bonuses and performance bonuses for the executive Directors and senior management

The remuneration of the senior management by band for the year 2015 is set out below:

Remuneration band	Number of individuals
Below HK\$1,500,000	1
HK\$1,500,001 – HK\$2,000,000	1
HK\$3,000,001 – HK\$3,500,000	2
HK\$4,500,001 – HK\$5,000,000	1

Details of the directors' fee and other emoluments of the Directors are set out in note 8 to the financial statements.

CORPORATE GOVERNANCE REPORT

The Nomination Committee

Currently, the Nomination Committee comprises the Chairman of the Board, Dr. Charles Yeung, SBS, JP (Committee Chairman) and two independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP and Dr. Chung Shui Ming, Timpson, GBS, JP. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee is responsible for making recommendations to the Board on nominations and appointments of Directors, reviewing the size, structure and composition of the Board, and assessing the independence of independent non-executive Directors.

The Nomination Committee held one meeting during the year under review. The work of the Nomination Committee in 2015 included the following:

- review of the structure, size and composition (including the skills, knowledge and experience) of the Board
- assessment of the independence of all independent non-executive Directors
- recommendation to the Board on the re-election of Directors
- review of the Board diversity policy

The Investment Committee

The Board set up the Investment Committee on 10 December 2015 with specific written terms of reference. Currently, the Investment Committee comprises four executive Directors (Dr. Charles Yeung, SBS, JP (Committee Chairman), Mr. Yeung Chun Fan, Mr. Pau Sze Kee, Jackson, Mr. Chan Wing Kan, Archie), two independent non-executive Directors (Mr. Wong Man Kong, BBS, JP and Dr. Lee Lam G.) and two senior staff.

The Investment Committee is responsible for setting up and reviewing investment policy of the Company and to monitor the performance of investment portfolio of the Company.

The Investment Committee had not held any meeting since its formation up to 31 December 2015.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, Directors are from time to time updated with the changes and development to the Group's business and to the political and economic environment in which the Group operates.

According to the records kept by the Company, the Directors received the following training in the year under review:

Directors

Executive

Dr. Charles Yeung, SBS, JP	A, B, C
Mr. Yeung Chun Fan	A, B, C
Mr. Pau Sze Kee, Jackson	A, C
Mr. Hui Chung Shing, Herman, SBS, MH, JP	A, C
Ms. Cheung Wai Yee	A, C
Mr. Chan Wing Kan, Archie	A, C

Independent non-executive

Mr. Lau Hon Chuen, Ambrose, GBS, JP	A, C
Dr. Chung Shui Ming, Timpson, GBS, JP	A, C
Mr. Wong Man Kong, Peter, BBS, JP	A, C
Dr. Lam Lee G.	A, C

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, journals and updates relating to the economy, retail, export or production of apparels, or director's duties and responsibilities etc.

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against the Directors and the senior management. In 2015, no claims under the insurance policy were made.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

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

The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code throughout the year under review.

EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted dealing rules based on the Model Code (the "Dealing Rules") governing securities transaction by the employees of the Group who are likely to be in possession of unpublished inside information in relation to the Group. These employees have been individually notified and provided with a copy of the Dealing Rules.

INSIDE INFORMATION POLICY

The Board approved and adopted the Inside Information Policy in 2013. The policy contains the guidelines to the Directors, officers and all relevant employees (likely possessing unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements for each financial year which give a true and fair view in accordance with Hong Kong Financial Reporting Standard and the Hong Kong Companies Ordinance. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the consolidated financial statements of the Group on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures required under the Listing Rules, and reports to the regulators and information disclosed under statutory requirements.

The responsibilities of the external auditors with respect to the financial reporting are set out in the Independent Auditors' Report contained in this annual report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board recognises its responsibility for and is committed to maintaining a sound and effective internal control system for the Group so as to safeguard the assets of the Group and the interests of the Shareholders. Qualified personnel from management of different levels within the Group are delegated to maintain and monitor the system.

The internal audit department plays an important role in reviewing and evaluating the effectiveness of internal control of the Group. During the year under review, the internal audit work covered all major areas of business of the Group and all material controls including financial, operational and compliance controls as well as risk management functions. Risks identification and evaluation have become regular and ongoing processes during the courses of internal audit work. No material control failure or significant areas of concern which might affect Shareholders' interests were found. The results of the reviews were reported to the Audit Committee. The Board considers the existing internal control system is reasonably effective and adequate to the Group.

AUDITORS' REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the external auditors of the Company, Ernst & Young, for the year ended 31 December 2015 amounted to approximately HK\$3,200,000 and HK\$410,000 respectively. The non-audit services included tax services.

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between its Shareholders and the Board. At the Company's 2015 annual general meeting, the Chairman of the Board (also the Chairman of the Nomination Committee), the Chairmen of the Audit Committee and the Remuneration Committee as well as the external auditors were present to answer Shareholders' questions.

The Company also maintains a website at www.glorisun.com which enables Shareholders, investors and the general public to have access to the information of the Company.

A shareholder communication policy reflecting the current practices of the Company for communication with its Shareholders is available on the Company's website.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividend declared. The rights of the Shareholders are set out in, amongst other things, the bye-laws of the Company and the Companies Act 1981 of Bermuda (the "Companies Act").

Procedures for Shareholders to convene a special general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company or at the registered office of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition pursuant to Section 74 of the Companies Act. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provision of Section 74(3) of the Companies Act.

The written requisition requiring a special general meeting to be called can be sent to the principal place of business of the Company as set out in the "Corporate Information" section of this annual report for the attention of the Company Secretary.

Procedures for putting forward proposals at a general meeting

Shareholders may by written requisition request for including a resolution relating to matters in a general meeting by following the requirements and procedures as set out in Sections 79 and 80 of the Companies Act.

Subject to the provisions of the above-mentioned sections of the Companies Act, on the written requisition of members representing not less than one-twentieth of the total voting rights or 100 members, at the expense of the requisitionists unless the Company otherwise resolves, the Company shall give shareholders of the Company notice of any resolution which may properly be moved and is intended to be moved at that meeting and a relevant statement.

Procedures for Shareholders to propose a person for election as a Director

As regards the procedures for Shareholders to propose a person for election as a Director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay, Hong Kong

Fax: (852) 2995 3060

Email: enquiry@glorisun.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Company’s subsidiaries are engaged in the retailing, export and production of casual wear. The principal activities of the Group have not significantly changed during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group’s business, can be found in the Chairman’s Statement set out on pages 8 to 19 of this annual report. This discussion forms part of this directors’ report.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 December 2015 and the Group’s financial position at that date are set out in the financial statements on pages 54 to 157.

An interim dividend of HK3.40 cents per ordinary share was paid on 30 September 2015. The directors recommended the payment of a final dividend of HK4.30 cents per ordinary share in respect of the year, to shareholders on the register of members on 10 June 2016.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 159 and 160 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company’s authorised or issued share capital and share options during the year are set out in notes 30 and 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$510,275,000, of which HK\$44,035,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account less the treasury shares, in the amount of HK\$332,114,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$588,000.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

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

Executive

Dr. Charles Yeung, SBS, JP	<i>(Chairman)</i>
Mr. Yeung Chun Fan	<i>(Vice-chairman)</i>
Mr. Yeung Chun Ho	<i>(passed away on 14 January 2016)</i>
Mr. Pau Sze Kee, Jackson	
Mr. Hui Chung Shing, Herman, SBS, MH, JP	
Ms. Cheung Wai Yee	
Mr. Chan Wing Kan, Archie	

Independent non-executive

Mr. Lau Hon Chuen, Ambrose, GBS, JP
 Dr. Chung Shui Ming, Timpson, GBS, JP
 Mr. Wong Man Kong, Peter, BBS, JP
 Dr. Lam Lee G.

REPORT OF THE DIRECTORS

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Pau Sze Kee, Jackson, Ms. Cheung Wai Yee and Mr. Wong Man Kong, Peter, BBS, JP will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent of the Company. Details are set out in the Corporate Governance Report on pages 24 to 35.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" below and in note 37 to the financial statements, no director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2015, the interests or short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in shares of the Company

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Dr. Charles Yeung, SBS, JP	(i) Interest of controlled corporations	556,082,000	587,082,000 ^{(1) & (2)}	57.329
	(ii) Joint interest	31,000,000		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,000,000	594,812,000 ^{(1), (2) & (5)}	58.084
	(ii) Interest of controlled corporations	556,082,000		
	(iii) Joint interest	31,000,000		
	(iv) Interest of spouse	6,730,000		
Mr. Yeung Chun Ho ⁽³⁾	Interest of a controlled corporation	27,430,000	27,430,000 ⁽⁴⁾	2.679
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.915
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.610
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	594,812,000 ^{(1), (2) & (5)}	58.084
	(ii) Interest of spouse	588,082,000		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000	956,000	0.093
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.040

REPORT OF THE DIRECTORS

Notes:

- (1) 414,842,000 shares were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 138,540,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Mr. Charles Yeung and as to 48.066% by Mr. Yeung Chun Fan) and 2,700,000 shares were held by G. S. Strategic Investment Limited (the entire issued voting share capital of which was held as to 50% by each of Mr. Charles Yeung and Mr. Yeung Chun Fan).
- (2) 31,000,000 shares were held by Mr. Charles Yeung and Mr. Yeung Chun Fan jointly.
- (3) Mr. Yeung Chun Ho passed away on 14 January 2016 and ceased to be a director of the Company on the same date.
- (4) 27,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by the late Mr. Yeung Chun Ho.
- (5) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 6,730,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 556,082,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 31 December 2015, none of the directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

Particulars of the share options granted to employees of the Company are set out in note 31 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

Dr. YEUNG Chun Kam, SBS, JP, alias Charles YEUNG, aged 69, is the founder and Chairman of the Group. He is responsible for the Group's business strategies. Dr. Yeung has over 45 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. Dr. Yeung is a Member of the National Committee of the Chinese People's Political Consultative Conference and the Chairman of The Chinese General Chamber of Commerce. Dr. Yeung is a director and a shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

Mr. YEUNG Chun Fan, aged 63, is the Vice-chairman and General Manager of the Group which he joined in 1975. He has over 40 years of experience in the garment industry. Mr. Yeung is an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, the President of The Federation of Hong Kong Garment Manufacturers, the Chairman of Clothing Industry Training Authority, an advisory professor of the Nanjiang University, the East China University and the Qingdao University. Mr. Yeung is a Member of the Standing Committee of the Hebei Committee of The Political Consultative Conference, a Vice-chairman of the China Association of Enterprises with Foreign Investment and a Vice-president of the China National Garment Association. Mr. Yeung is responsible for the Group's overall business operations. He is a brother of Dr. Charles Yeung, SBS, JP. Mr. Yeung is a director and a shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

Mr. PAU Sze Kee, Jackson, aged 64, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the Group's retail operations in Australasia and the Pacific Islands.

REPORT OF THE DIRECTORS

Mr. HUI Chung Shing, Herman, SBS, MH, JP, aged 65, is responsible for the strategic planning and legal matters of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui was the Group's external legal advisor. In 2010, he was conferred Honorary Fellow of the Vocational Training Council.

Ms. CHEUNG Wai Yee, aged 64, joined the Group in 1975 and is responsible for the development of retail business in Mainland China. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Mr. CHAN Wing Kan, Archie, aged 69, has been an Executive Director of the Company since August 2005 and was the Group's business consultant in the past. Mr. Chan graduated from the University of New South Wales, Australia with a bachelor's degree in Commerce. He is a Member of the Hong Kong Institute of Certified Public Accountants and Chartered Accountants Australia and New Zealand. Mr. Chan has extensive experience in corporate investment and management. He is responsible for the business development of the Group.

REPORT OF THE DIRECTORS

Independent Non-Executive Directors

Mr. LAU Hon Chuen, GBS, JP, alias Ambrose LAU, aged 68, has been an Independent Non-executive Director of the Company since March 1997. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr. Lau is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently an Independent Non-executive Director of China Jinmao Holdings Group Limited, Yuexiu Property Company Limited, Yuexiu Transport Infrastructure Limited, Joy City Property Limited, Brightoil Petroleum (Holdings) Limited and The People's Insurance Company (Group) of China Limited. He is also a Director of OCBC Wing Hang Bank Limited, Wing Hang Bank (China) Limited, Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominee & Secretarial Services Limited, Helicoil Limited and Wyman Investments Limited. Mr. Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Dr. CHUNG Shui Ming, Timpson, GBS, JP, aged 64, has been an Independent Non-executive Director of the Company since September 2004. Dr. Chung holds a Master of Business Administration Degree and was awarded the degree of Doctor of Social Sciences, honoris causa, by the City University of Hong Kong. Dr. Chung is a Fellow Member of the Hong Kong Institute of Certified Public Accountants. Currently he is an Independent Non-executive Director of Miramar Hotel and Investment Company, Limited, China Unicom (Hong Kong) Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, Henderson Land Development Company Limited, China Construction Bank Corporation and Jinmao Investments and Jinmao (China) Investments Holdings Limited and he is an Independent Director of China State Construction Engineering Corporation Limited. He is also a Member of National Committee of the 12th Chinese People's Political Consultative Conference.

REPORT OF THE DIRECTORS

Mr. WONG Man Kong, Peter, BBS, JP, aged 67, has been an Independent Non-executive Director of the Company since August 1996. Mr. Wong is a graduate of the University of California at Berkeley in USA with a bachelor of science degree in Mechanical Engineering (Naval Architecture) and was an awardee of the “Young Industrialist Award of Hong Kong” in 1988. Mr. Wong is the Chairman of M.K. Corporation Ltd., a Director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Limited, MGM China Holdings Limited and the Chairman of North West Development Ltd. He is a Deputy of the 12th National People’s Congress of the PRC, the Standing Committee Vice Chairman of Hong Kong Pei Hua Education Association, Executive Chairman of China Chamber of Commerce, a Director of Ji Nan University and a Senior Member of The University of Hong Kong Foundation for Educational Development and Research.

Dr. LAM Lee G., aged 56, has been a Non-executive Director of the Company since September 2004 and was re-designated as an Independent Non-executive Director of the Company with effect from 20 August 2012. He holds a Bachelor of Science Degree in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration Degree, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, a Master of Public Administration and a Doctor of Philosophy Degree from The University of Hong Kong. Dr. Lam is also a Solicitor of the High Court of Hong Kong and an Honorary Fellow of CPA Australia. Dr. Lam has over 30 years of multinational general management, management consulting, corporate governance, investment banking, direct investment and investment fund management experience, and also serves on the board of directors, the investment committee and the advisory committee of a number of publicly-listed companies, investment funds and NGOs in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, a Member of the Legal Aid Services Council, a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and as a Member of the New Business Committee of the Financial Services Development Council (FSDC), Dr. Lam is a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People’s Political Consultative Conference, a Vice Chairman of Liaoning Chinese Overseas Friendship Association, a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx), a Member of UNESCAP Task Force on Banking and Finance, Honorary Chairman – Asia Pacific of CMA Australia, a Member of Sir Murray MacLehose Trust Fund Investment Advisory Committee, a Member of the Hong Kong Institute of Bankers, a Member of the World Presidents’ Organization, a Member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the Hong Kong – Thailand Business Council, a Founding Member of the Hong Kong – Korea Business Council, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, a Founding Board Member and the Honorary Treasurer of the Hong Kong – Vietnam Chamber of Commerce, a Vice President of the Hong Kong Real Property Federation, Chairman of Monte Jade Science and Technology Association of Hong Kong and President of Hong Kong-ASEAN Economic Cooperation Foundation.

REPORT OF THE DIRECTORS

Senior Management

Mr. **CHOW Hing Ping**, aged 67, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Chow is responsible for the administration and financial matters of the production and retail operations of the Group in Hong Kong and Mainland China.

Ms. **CHEUNG Man Yee, Carmen**, aged 65, joined the Group in 1982 and is responsible for the Group's product development and marketing operations. Ms. Cheung graduated from the University of Hawaii in USA with a bachelor's degree in Arts. Prior to joining the Group, she was the manager of the sales and purchase department in one of the largest department stores in USA. Ms. Cheung is the sister of Ms. Cheung Wai Yee.

Mr. **Mark Stephen DAYNES**, aged 57, is the Chief Executive Officer for the Group's retail operations of Jeanswest Australia and New Zealand as well as the Pacific Islands and Russian franchise operation. Before joining the Group in 2011, Mr. Daynes' previous international retail experience spanned over 30 years working for major retail companies in the United Kingdom and Australia, as well as extensive apparel experience in the USA, Mexico and Canada.

Mr. **LAI Man Sum, alias Sam LAI**, aged 54, joined the Group in 1991 and is the Chief Accountant of the Group. Mr. Lai graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a Member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Lai worked for an international accounting firm and a garment company for many years.

Mr. **MUI Sau Keung, alias Isaac MUI**, aged 53, joined the Group in 1993. He was appointed as the Company Secretary with effect from December 2005. Mr. Mui graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. He is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Mui worked in various companies in Hong Kong responsible for finance, personnel and administrative functions.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than directors of the Company) had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of issued share capital (%)
Glorious Sun Holdings (BVI) Limited	Beneficial owner	414,842,000	40.510
Advancetex Holdings (BVI) Limited	Beneficial owner	138,540,000	13.529

Save as disclosed above, no other parties (other than directors of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2015.

CONNECTED TRANSACTION

During the year, the Group had the following connected transaction, the disclosure requirements of which were complied with in accordance with Chapter 14A of the Listing Rules.

On 21 December 2015, Glorious Sun Trading (HK) Limited, a wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement, pursuant to which the vendor disposed of 8,300,000 ordinary shares of I.T Limited to Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan, both are directors and substantial shareholders of the Company, at a consideration of HK\$16,956,900. Details of the transaction are set out in the Company's announcement dated 21 December 2015.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

	Notes	2015 HK\$'000	2014 HK\$'000
Rental expenses paid to:	(i)		
G. S. (Yeungs) Limited		1,104	1,089
Harbour Guide Limited		3,876	4,577
Rank Profit Industries Limited		11,250	10,031
Yin Fu Properties (Huizhou) Company Limited (銀富房產(惠州)有限公司) [@]		904	938
Huizhou Hui Fu Properties Company Limited (惠州市惠富置業有限公司) [@]		1,631	1,629
Shenyang Hui Fu Properties Company Limited (瀋陽市惠富房產有限公司) [@]		723	968
Yeung Cheung Yip and Yeung Hon Yip		2,479	462
Gloryear Management Limited		867	847
Yeung's Family [#]		1,325	1,375
		24,159	21,916
Management fees paid to:	(ii)		
Rank Profit Industries Limited		2,027	1,964
Huizhou City Garden Property Management Company Limited (惠州市城市花園物業管理有限公司) [@]		62	61
		2,089	2,025
Total		26,248	23,941
Goods purchased from:	(iii)		
Huizhou Xin An Garment Mfy. Company Limited (惠州新安製衣廠有限公司) [@]		8,519	28,262

REPORT OF THE DIRECTORS

Notes:

- (i) The rental expenses were charged with reference to the prevailing open market rentals.
 - (ii) The management fees were charged according to the management services agreement signed between the parties having regard to the cost of services provided.
 - (iii) The purchases of goods were made according to the prices mutually agreed by the parties on individual order placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.
- Ⓒ Official names of these entities are in Chinese. The English translation of the names is for identification purpose only.
- # Yeung's family means the late Yeung Chun Ho, Yeung Chun Kam, Yeung Chun Fan, Yeung Yuk Wai, Yeung Wai, Ho Yu Chun, Yeung Chun Ip, David, Yeung Tak Ip, 楊振炎, 楊玉馨, 楊玉群, 楊杰霖, 蔡曉雲 and 楊尼拉.

All of the above companies are controlled by (1) Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan or (2) Mr. Yeung Chun Fan and Ms. Cheung Wai Yee, all of whom are directors of the Company or (3) Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and their sons. Mr. Yeung Cheung Yip and Mr. Yeung Hon Yip are sons of Mr. Yeung Chun Fan.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

REPORT OF THE DIRECTORS

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

During the year, the Company repurchased a total of 23,436,000 shares of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. Details of those transactions are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price HK\$'000
		Highest HK\$	Lowest HK\$	
January 2015	652,000	1.68	1.62	1,095
February 2015	834,000	1.67	1.65	1,390
March 2015	4,330,000	1.61	1.57	6,936
April 2015	2,962,000	1.68	1.59	4,846
June 2015	2,872,000	1.68	1.60	4,797
July 2015	5,106,000	1.63	1.47	7,975
August 2015	222,000	1.37	1.35	316
September 2015	1,100,000	1.37	1.28	1,476
October 2015	2,236,000	1.35	1.25	2,901
November 2015	3,122,000	1.39	1.32	4,196
	23,436,000			35,928

The repurchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

EMOLUMENT POLICY

The remuneration committee reviews the emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the code provisions as set out in the CG Code in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015, save and except for the deviation from code provision A.6.7 of the CG Code. Details are set out in the Corporate Governance Report on pages 24 to 35.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information since the publication of the Interim Report of the Company for the six months ended 30 June 2015, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Lau Hon Chuen, Ambrose, GBS, JP is a director of Franshion Properties (China) Limited, a public listed company in Hong Kong which has changed its name to China Jinmao Holdings Group Limited.

Dr. Lam Lee G. was appointed as a director of Sino Resources Group Limited and UDL Holdings Limited, both public listed companies in Hong Kong. He then resigned as a director of UDL Holdings Limited, which subsequently changed its name to DTXS Silk Road Investment Holdings Company Limited. Dr. Lam also resigned as a director of Imagi International Holdings Limited, a public listed company in Hong Kong.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. Charles Yeung, SBS, JP
Chairman

Hong Kong, 24 March 2016



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INDEPENDENT AUDITORS' REPORT



To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Glorious Sun Enterprises Limited (the “Company”) and its subsidiaries set out on pages 54 to 157, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

AUDITORS' RESPONSIBILITY (CONTINUED)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their 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.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
REVENUE	5	4,337,606	5,854,683
Cost of sales		(2,498,406)	(3,384,257)
Gross profit		1,839,200	2,470,426
Other income and gains	5	205,762	261,270
Selling and distribution expenses		(1,320,141)	(1,765,652)
Administrative expenses		(595,436)	(754,252)
Other expenses		(72,130)	(57,719)
Finance costs	6	(6,912)	(14,630)
OPERATING PROFIT		50,343	139,443
Share of profits and losses of associates		6,033	7,460
PROFIT BEFORE TAX	7	56,376	146,903
Income tax credit/(expense)	10	37,359	(25,022)
PROFIT FOR THE YEAR		93,735	121,881
Attributable to:			
Ordinary equity holders of the Company		88,152	119,405
Non-controlling interests		5,583	2,476
		93,735	121,881
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12	HK cents	HK cents
Basic and diluted			
– For profit for the year		8.51	11.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE YEAR	93,735	121,881
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investment:		
Changes in fair value, net of tax	(2,533)	17,195
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	(20,032)	(69,255)
	(22,565)	(52,060)
Exchange differences on translation of foreign operations	(44,046)	(17,040)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(66,611)	(69,100)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		
Gains on property revaluation	25,763	–
Income tax effect	(6,480)	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	19,283	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(47,328)	(69,100)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	46,407	52,781
Attributable to:		
Ordinary equity holders of the Company	41,640	50,305
Non-controlling interests	4,767	2,476
	46,407	52,781

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	657,604	775,070
Investment properties	14	161,694	80,363
Prepaid land lease payments	15	5,307	5,683
Goodwill	16	34,492	39,048
Investments in associates	17	38,220	32,186
Held-to-maturity investments	18	660,482	463,948
Available-for-sale investments	19	12,048	41,301
Prepayments and deposits	22	11,894	20,744
Deferred tax assets	29	37,575	40,679
Total non-current assets		1,619,316	1,499,022
CURRENT ASSETS			
Inventories	20	591,229	715,960
Trade and bills receivables	21	339,050	314,718
Prepayments, deposits and other receivables	22	320,880	345,690
Due from associates	37(d)	55,823	75,088
Due from other related companies	23	1,535	1,446
Held-to-maturity investments	18	–	37,787
Other investment	24	4,819	–
Pledged deposits	25	30,396	833,441
Cash and cash equivalents	25	733,436	1,013,397
Total current assets		2,077,168	3,337,527
CURRENT LIABILITIES			
Trade and bills payables	26	595,808	579,904
Other payables and accruals	27	611,466	803,388
Due to associates	37(d)	86	16,729
Interest-bearing bank and other borrowings	28	222,719	1,011,620
Tax payable		140,217	232,122
Total current liabilities		1,570,296	2,643,763
NET CURRENT ASSETS		506,872	693,764
TOTAL ASSETS LESS CURRENT LIABILITIES		2,126,188	2,192,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	5,961	3,705
Provision		27,149	11,938
Deferred tax liabilities	29	43,884	31,577
Total non-current liabilities		76,994	47,220
Net assets		2,049,194	2,145,566
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	30	102,406	104,936
Reserves	32	1,937,432	2,029,294
		2,039,838	2,134,230
Non-controlling interests		9,356	11,336
Total equity		2,049,194	2,145,566

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

Attributable to ordinary equity holders of the Company													
Notes	Issued capital HK\$'000 (note 30)	Share premium account HK\$'000	Treasury shares HK\$'000 (note 32 (v))	Contributed surplus HK\$'000 (note 32 (i))	Share option reserve HK\$'000 (note 32 (ii))	Asset revaluation reserve HK\$'000 (note 32 (iii))	Available-for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Other reserves HK\$'000 (note 32 (iv))	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
													2,145,566
At 1 January 2015	104,936	368,604	(3,092)	191,892	1,477	-	22,565	65,484	1,427	1,380,937	2,134,230	11,336	2,145,566
Profit for the year	-	-	-	-	-	-	-	-	-	88,152	88,152	5,583	93,735
Other comprehensive income for the year:													
Available-for-sale investment:													
Changes in fair value, net of tax	-	-	-	-	-	-	(2,533)	-	-	-	(2,533)	-	(2,533)
Reclassification adjustment for gain on disposal	-	-	-	-	-	-	(20,032)	-	-	-	(20,032)	-	(20,032)
Exchange differences:													
Translation of foreign operations	-	-	-	-	-	-	-	(43,230)	-	-	(43,230)	(816)	(44,046)
Gains on property revaluation, net of tax	-	-	-	-	-	19,283	-	-	-	-	19,283	-	19,283
Total comprehensive income for the year	-	-	-	-	-	19,283	(22,565)	(43,230)	-	88,152	41,640	4,767	46,407
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(6,747)	(6,747)
Equity-settled share option arrangements	31	-	-	-	68	-	-	-	-	-	68	-	68
Shares repurchased	-	-	(35,928)	-	-	-	-	-	-	-	(35,928)	-	(35,928)
Cancellation of shares repurchased	-	(2,530)	(36,490)	39,020	-	-	-	-	-	-	-	-	-
Final 2014 dividend	11	-	-	-	-	-	-	-	-	(65,127)	(65,127)	-	(65,127)
Interim 2015 dividend	11	-	-	-	-	-	-	-	-	(35,045)	(35,045)	-	(35,045)
Transfer within reserves	-	-	-	-	-	-	-	-	481	(481)	-	-	-
At 31 December 2015	102,406	332,114*	-*	191,892*	1,545*	19,283*	-*	22,254*	1,908*	1,368,436*	2,039,838	9,356	2,049,194

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2015

	Attributable to ordinary equity holders of the Company												
	Notes	Issued capital HK\$'000 (note 30)	Share premium account HK\$'000	Treasury shares HK\$'000 (note 32 (v))	Contributed surplus HK\$'000 (note 32 (i))	Share option reserve HK\$'000 (note 32 (ii))	Available-for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Other reserves HK\$'000 (note 32 (iv))	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2014		105,941	384,521	-	191,892	1,278	74,625	82,524	352	1,391,327	2,232,460	11,748	2,244,208
Profit for the year		-	-	-	-	-	-	-	-	119,405	119,405	2,476	121,881
Other comprehensive income for the year:													
Available-for-sale investment:													
Changes in fair value, net of tax		-	-	-	-	-	17,195	-	-	-	17,195	-	17,195
Reclassification adjustment for gain on disposal		-	-	-	-	-	(69,255)	-	-	-	(69,255)	-	(69,255)
Exchange differences:													
Translation of foreign operations		-	-	-	-	-	-	(17,040)	-	-	(17,040)	-	(17,040)
Total comprehensive income for the year		-	-	-	-	-	(52,060)	(17,040)	-	119,405	50,305	2,476	52,781
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(2,888)	(2,888)
Equity-settled share option arrangements	31	-	-	-	-	199	-	-	-	-	199	-	199
Shares repurchased		-	-	(20,014)	-	-	-	-	-	-	(20,014)	-	(20,014)
Cancellation of shares repurchased		(1,005)	(15,917)	16,922	-	-	-	-	-	-	-	-	-
Final 2013 dividend		-	-	-	-	-	-	-	-	(86,343)	(86,343)	-	(86,343)
Interim 2014 dividend	11	-	-	-	-	-	-	-	-	(42,377)	(42,377)	-	(42,377)
Transfer within reserves		-	-	-	-	-	-	-	1,075	(1,075)	-	-	-
At 31 December 2014		104,936	368,604*	(3,092)*	191,892*	1,477*	22,565*	65,484*	1,427*	1,380,937*	2,134,230	11,336	2,145,566

* These reserve accounts comprise the consolidated reserves of HK\$1,937,432,000(2014: HK\$2,029,294,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		56,376	146,903
Adjustments for:			
Finance costs	6	6,912	14,630
Share of profits and losses of associates		(6,033)	(7,460)
Bank interest income	5	(14,636)	(32,068)
Other interest income from held-to-maturity investments	5	(50,868)	(39,182)
Gain on disposal of an available-for-sale investments	5	(20,006)	(69,165)
Loss/(gain) on derecognition of held-to-maturity investments		287	(6,357)
Depreciation	7	111,558	136,538
Amortisation of prepaid land lease payments	7	171	177
Dividend income from available-for-sale investments	5	(2,085)	(3,026)
Impairment of property, plant and equipment	7	3,176	3,718
Impairment/(reversal of impairment) of trade receivables, net	7	2,815	(3,964)
Loss on disposal/write-off of items of property, plant and equipment	7	10,334	7,616
Write-back of provision for inventories, net	7	(27,973)	(73,314)
Equity-settled share option expense	7	68	199
Changes in fair value of investment properties	5	(599)	(12,741)
Effect of foreign exchange rate changes, net		23,458	1,921
		92,955	64,425
Decrease in inventories		158,572	258,936
Decrease/(increase) in trade and bills receivables		(27,147)	47,633
Decrease in prepayments, deposits and other receivables		47,154	38,217
Decrease/(increase) in amounts due from other related companies		(89)	1,644
Decrease/(increase) in amounts due from associates		19,265	(4,284)
Increase/(decrease) in trade and bills payables		15,904	(166,571)
Decrease in other payables and accruals		(180,954)	(38,042)
Increase/(decrease) in amounts due to associates		(16,643)	16,501
Cash generated from operations		109,017	218,459

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Cash generated from operations	109,017	218,459
Interest paid	(6,912)	(14,630)
Hong Kong profits taxes paid	(15,003)	(18,666)
Overseas taxes paid	(28,233)	(28,616)
Net cash flows from operating activities	58,869	156,547
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	14,636	32,068
Other interest income from held-to-maturity investments	46,678	34,421
Dividends received from an associate	–	54,122
Dividends received from available-for-sale investments	2,085	3,026
Advance to an associate	–	(65,479)
Purchases of items of property, plant and equipment	(79,248)	(134,918)
Purchases of available-for-sale investments	–	(10,000)
Purchases of held-to-maturity investments	(198,324)	(330,474)
Purchase of investment properties	(29,421)	(45,908)
Proceeds from disposal of items of property, plant and equipment	2,067	8,338
Proceeds from disposal of available-for-sale investments	16,957	86,819
Redemption of a held-to-maturity investment	37,500	62,500
Receipts from derecognition of held-to-maturity investments	–	4,928
Decrease/(increase) in pledged deposits	803,045	(833,441)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	38,218	68,785
Decrease in financial assets at fair value through profit or loss	–	12,637
Increase in other investment	(4,819)	–
Net cash flows from/(used in) investing activities	649,374	(1,052,576)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other loans		172,338	1,198,947
Repayment of bank and other loans		(952,096)	(354,980)
Shares repurchased		(35,928)	(20,014)
Capital element of finance lease rental payments		–	(155)
Dividends paid		(100,172)	(128,720)
Dividends paid to non-controlling shareholders		(2,530)	(2,888)
Net cash flows from/(used in) financing activities		(918,388)	692,190
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		972,090	1,183,505
Effect of foreign exchange rate changes, net		(31,598)	(7,576)
CASH AND CASH EQUIVALENTS AT END OF YEAR		730,347	972,090
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	613,038	765,963
Non-pledged time deposits with original maturity of three months or less when acquired		117,309	206,127
Non-pledged time deposits with original maturity of more than three months when acquired		3,089	41,307
Cash and cash equivalents as stated in the consolidated statement of financial position		733,436	1,013,397
Non-pledged time deposits with original maturity of more than three months when acquired		(3,089)	(41,307)
Cash and cash equivalents as stated in the consolidated statement of cash flows		730,347	972,090

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

Glorious Sun Enterprises Limited (the “Company”) is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong.

During the year, the Group was involved in the retailing, export and production of casual wear.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Glorious Sun Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	US\$200	100	–	Investment holding
Jeanswest (BVI) Limited [#]	British Virgin Islands	US\$1	–	100	Investment holding
Jeanswest International (L) Limited [#]	Malaysia	US\$1	–	100	Investment holding
Glorious Sun Licensing (L) Limited [#]	Malaysia	US\$1	–	100	Holding of trademarks
Jeanswest Investments (Australia) Pty. Ltd.	Australia	AU\$12,002,202	–	100	Investment holding
Jeanswest Wholesale Pty. Ltd.	Australia	AU\$2	–	100	Trading of apparel
Jeanswest Corporation Pty. Ltd.	Australia	AU\$11,000,000 Ordinary AU\$1,000,000 A class shares	–	100	Retail of apparel in Australia

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Goldpromise Limited [#]	British Virgin Islands	US\$2	–	100	Investment holding
Jeanswest Corporation (New Zealand) Limited	New Zealand	NZ\$1,191,264 Ordinary	–	100	Retail of apparel in New Zealand
JW e-tailing (HK) Limited [#]	Hong Kong	HK\$2 Ordinary	–	100	Trading of apparel
Jeanswest International (H.K.) Limited	Hong Kong/ Mainland China	HK\$10,000,000 Ordinary	–	100	Retail of apparel in Mainland China
Advancetex Investment Limited	Hong Kong/ Mainland China	HK\$10,000,000 Ordinary	–	100	Retail of apparel in Mainland China
Glorious Sun Industries (BVI) Limited [#]	British Virgin Islands	US\$1	–	100	Investment holding
Pacific Potential Trading Company Limited	Hong Kong	HK\$200,000 Ordinary	–	100	Provision of agency services
Advancetex International Trading (HK) Company Limited	Hong Kong	HK\$6,000,000 Ordinary	–	100	Trading and production of apparel

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (*CONTINUED*)

Information about subsidiaries (*continued*)

Particulars of the Company's principal subsidiaries are as follows: (*continued*)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Advancetex Fashion Garment Mfy. (Hui Zhou) Limited*#	Mainland China	US\$6,128,000	–	100	Manufacture of apparel
Jeanswest Apparels (China) Company Limited (真維斯服飾(中國)有限公司)**#@	Mainland China	US\$10,000,000	–	100	Manufacture and trading of apparel
Da Jin Trading (Huizhou) Company Limited (大進貿易(惠州)有限公司)**#@	Mainland China	HK\$500,000	–	100	Trading of apparel
Rand Design Limited#	Hong Kong	HK\$1 Ordinary	–	100	Garment design and trading of apparel
Rays The Glorious Investment (BVI) Limited#	British Virgin Islands	US\$1	–	100	Investment holding
Full Yuen Investments Limited#	Hong Kong	HK\$2 Ordinary	–	100	Investment holding
Jeanswest Overseas Development Limited	Hong Kong	HK\$10,000 Ordinary	–	100	Investment holding
Shijiazhuang Changhong Building Decoration Engineering Company Limited (“Shijiazhuang Changhong”) (石家莊常宏建築裝飾工程有限公司)**#@	Mainland China	US\$5,150,000	–	65	Provision of interior decoration and renovation services

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (*CONTINUED*)

Information about subsidiaries (*continued*)

- * Registered as wholly-foreign-owned enterprises under PRC law
- ** Registered as Sino-foreign equity joint ventures under PRC law
- # Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network
- @ Official names of these entities are in Chinese. The English translation of the names is for identification purpose only.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION (*CONTINUED*)

Basis of consolidation (*continued*)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
 - HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
 - HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

- *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- *HKFRS 3 Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
- *HKFRS 13 Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
- *HKAS 40 Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

In addition, the Company has adopted the amendments to the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

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

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

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

⁴ No mandatory effective date is determined but is available for early adoption

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (*CONTINUED*)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate. The amendments are to be applied prospectively.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (*CONTINUED*)

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (*continued*)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and equity investments at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (*continued*)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- | | | |
|---------|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (*continued*)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (*continued*)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (*continued*)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	1.67% – 5% or over the lease terms, whichever is shorter
Leasehold improvements	20% – 25% or over the lease terms, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and office equipment	10% – 33%
Motor vehicles	20% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (*continued*)

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (*continued*)

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (*continued*)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (*continued*)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (*continued*)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (*continued*)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables, amounts due to associates and interest-bearing bank and other borrowings.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (*continued*)

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or weighted average bases and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (*continued*)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of sub-contracting and management services, when the services have been rendered;
- (c) from the rendering of decoration and renovation services, when the services have been performed;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial assets;
- (e) dividend income, when the shareholders' right to receive payment has been established;
- (f) rental income, on a time proportion basis over the lease terms; and
- (g) commission and services income, when the services have been rendered.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (*continued*)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for most of the Group’s Hong Kong employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated two defined contribution retirement benefit schemes for certain employees, the assets of which are held separately from those of the Group in independently administered funds. Under one of the schemes, contributions payable by the employers and employees were suspended in January 1994, but the administrator continues to manage and invest the assets of the scheme and to make payments to employees in accordance with the rules of the scheme. Under the other scheme, contributions were made based on a percentage of the eligible employees’ salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group’s employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amounts of forfeited contributions. These schemes are still operating at the end of the reporting period and up to the date of this report.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with rules of the central pension scheme.

Termination benefits

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (*continued*)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, where it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods. The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 3 to 60 years depending on the fixed assets' category. The policy on depreciation is detailed in note 2.4 to the financial statements. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Any change in this estimation may have a material impact on the Group's results.

Write-down of inventories to net realisable value

Management reviews the aged analysis of inventories of the Group at the end of each reporting period, and makes provision for inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which estimate has been changed. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision needs to be made in respect of any obsolete inventories identified. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. The directors of the Company are satisfied that sufficient provision on obsolete and slow-moving inventories has been made in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was HK\$34,492,000 (2014: HK\$39,048,000). Further details are given in note 16 to the financial statements.

Income taxes and deferred taxes

The Group is subject to income taxes mainly in Hong Kong, Mainland China, Australia and New Zealand. Significant judgement is required in determining the amount of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Income taxes and deferred taxes (*continued*)

Recognition of deferred tax assets, which principally relate to temporary differences in respect of provisions and tax losses, depends on management's expectation of future taxable profit that will be available against which the temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different. Further details are set out in note 29 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the "retail operations" segment engages in the retailing of casual wear;
- (b) the "export operations" segment manufactures and exports apparel; and
- (c) the "others" segment comprises, principally, the decoration and renovation businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION (CONTINUED)

By business

	Retail operations		Export operations		Others [#]		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment revenue:								
Sales to external customers	3,894,339	5,279,723	441,524	572,821	1,743	2,139	4,337,606	5,854,683
Other income and gains	53,130	74,296	16,892	17,537	22,785	32,146	92,807	123,979
Total	3,947,469	5,354,019	458,416	590,358	24,528	34,285	4,430,413	5,978,662
Segment results	49,675	104,821	13,963	15,238	7,044	11,543	70,682	131,602
Interest income							65,504	71,250
Unallocated revenue							47,451	66,041
Corporate and other unallocated expenses							(126,382)	(114,820)
Finance costs							(6,912)	(14,630)
Share of profits and losses of associates	-	-	6,033	7,460	-	-	6,033	7,460
Profit before tax							56,376	146,903
Income tax credit/(expense)							37,359	(25,022)
Profit for the year							93,735	121,881
Other segment information:								
Depreciation and amortisation	89,583	109,619	683	695	21,463	26,401	111,729	136,715
Impairment losses recognised in the consolidated statement of profit or loss	5,991	3,718	-	-	-	-	5,991	3,718
Impairment losses reversed in the consolidated statement of profit or loss	-	(6)	-	-	-	(3,958)	-	(3,964)
Other non-cash income, net	(17,783)	(68,474)	-	(346)	(100)	(15,777)	(17,883)	(84,597)
Investments in associates	(2,946)	(2,947)	41,166	35,133	-	-	38,220	32,186
Capital expenditure*	75,679	118,704	148	516	32,842	61,606	108,669	180,826

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

The "Others" in other segment information comprises others segments, corporate and unallocated revenue/expenses.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION (CONTINUED)

By region

	Mainland China HK\$'000	Hong Kong HK\$'000	Australia and New Zealand HK\$'000	United States of America HK\$'000	Canada HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2015							
Revenue from external customers	2,763,296	33,868	1,100,920	341,148	44,634	53,740	4,337,606
Non-current assets	676,810	38,639	174,141	7,727	-	-	897,317
Year ended 31 December 2014							
Revenue from external customers	3,923,802	32,139	1,323,483	465,648	35,706	73,905	5,854,683
Non-current assets	702,535	34,968	188,253	6,594	-	-	932,350

The revenue information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2015 HK\$'000	2014 HK\$'000
Revenue		
Retailing of casual wear	3,894,339	5,279,723
Export of apparel and other businesses	443,267	574,960
	4,337,606	5,854,683

NOTES TO FINANCIAL STATEMENTS

31 December 2015

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2015 HK\$'000	2014 HK\$'000
Other income		
Bank interest income	14,636	32,068
Other interest income from held-to-maturity investments	50,868	39,182
Services fee income	18,757	19,227
Other sales income	1,186	2,095
Gross rental income	8,526	2,904
Commission and management fee income	4,963	6,130
Decoration and renovation income	36,952	29,040
Dividend income from available-for-sale investments	2,085	3,026
Claims received	8,805	7,347
Royalty income	5,086	4,046
Others	33,293	22,491
	185,157	167,556
Gains		
Gain on disposal of equity investments at fair value through profit or loss	–	5,451
Gain on derecognition of held-to-maturity investments	–	6,357
Gain on disposal of an available-for-sale investment	20,006	69,165
Fair value gains on investment properties (note 14)	599	12,741
	20,605	93,714
	205,762	261,270

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK\$'000	2014 HK\$'000
Interest on bank loans	4,948	14,568
Interest on other loans	1,964	58
Interest on finance leases	–	4
	6,912	14,630

NOTES TO FINANCIAL STATEMENTS

31 December 2015

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2015 HK\$'000	2014 HK\$'000
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		853,278	977,901
Equity-settled share option expense	31	68	199
Pension scheme contributions		54,636	68,252
Termination benefits		13,446	5,473
Total employee benefit expenses		921,428	1,051,825
Cost of inventories sold		2,526,379	3,457,571
Depreciation	13	111,558	136,538
Amortisation of prepaid land lease payments	15	171	177
Minimum lease payments under operating leases		561,778	841,277
Auditors' remuneration		5,555	5,698
Foreign exchange differences, net [#]		24,620	1,903
Impairment of property, plant and equipment [#]		3,176	3,718
Impairment/(reversal of impairment) of trade receivables [#]	21	2,815	(3,964)
Loss on disposal of items of property, plant and equipment [#]		10,334	7,616
Write-back of provision for inventories, net [*]		(27,973)	(73,314)
Direct operating expense (including repairs and maintenance arising from rental-earning investment properties)		2,128	19

* Write-back of provision for inventories of approximately HK\$27,973,000 (2014:HK\$73,314,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

These items are included in "Other expenses" on the face of the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK\$'000	2014 HK\$'000
Fees	570	570
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	9,694	9,601
Discretionary bonuses*	8,980	10,988
Pension scheme contributions	382	375
	19,056	20,964
	19,626	21,534

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the operational performance of the Group.

(a) Independent non-executive directors

The fees paid and payable to independent non-executive directors during the year were as follows:

	2015 HK\$'000	2014 HK\$'000
Mr. Lau Hon Chuen, Ambrose, GBS, JP	180	180
Dr. Chung Shui Ming, Timpson, GBS, JP	150	150
Mr. Wong Man Kong, Peter, BBS, JP	120	120
Dr. Lam Lee G.	120	120
	570	570

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

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8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2015					
Executive directors:					
Dr. Charles Yeung, SBS, JP	–	106	1,009	5	1,120
Mr. Yeung Chun Fan	–	1,525	2,405	59	3,989
Mr. Yeung Chun Ho	–	1,658	415	83	2,156
Mr. Pau Sze Kee, Jackson	–	2,755	1,828	112	4,695
Mr. Hui Chung Shing, Herman, SBS, MH, JP	–	1,200	447	60	1,707
Ms. Cheung Wai Yee	–	1,250	2,576	63	3,889
Mr. Chan Wing Kan, Archie	–	1,200	300	–	1,500
	–	9,694	8,980	382	19,056
2014					
Executive directors:					
Dr. Charles Yeung, SBS, JP	–	106	1,409	5	1,520
Mr. Yeung Chun Fan	–	1,595	3,541	59	5,195
Mr. Yeung Chun Ho	–	1,658	385	83	2,126
Mr. Pau Sze Kee, Jackson	–	2,652	2,291	108	5,051
Mr. Hui Chung Shing, Herman, SBS, MH, JP	–	1,200	447	60	1,707
Ms. Cheung Wai Yee	–	1,190	2,615	60	3,865
Mr. Chan Wing Kan, Archie	–	1,200	300	–	1,500
	–	9,601	10,988	375	20,964

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014:Nil).

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2014: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	4,636	4,407
Discretionary bonuses	3,125	4,235
Pension scheme contributions	192	189
	7,953	8,831

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	1
	2	2

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Under the income tax law of the People's Republic of China (the "PRC"), companies with operations in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% (2014: 25%) on the taxable income.

The tax rates applicable to subsidiaries incorporated and operating in Australia and New Zealand are 30% (2014:30%) and 28% (2014: 28%), respectively. Provisions for the Australian and New Zealand income taxes have been made on the estimated assessable profits arising in Australia and New Zealand for the year.

	2015 HK\$'000	2014 HK\$'000
Current – Hong Kong		
Charge for the year	14,986	14,700
Overprovision in prior years	(12,570)	(72)
Current – Elsewhere		
Charge for the year	22,297	50,603
Overprovision in prior years	(59,443)	(24,378)
Deferred (note 29)	(2,629)	(15,831)
Total tax charge/(credit) for the year	(37,359)	25,022

NOTES TO FINANCIAL STATEMENTS

31 December 2015

10. INCOME TAX (CONTINUED)

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

	2015		2014	
	HK\$'000	%	HK\$'000	%
Profit before tax	56,376		146,903	
Tax calculated at domestic tax rates applicable to profits in the respective countries	9,112	16.2	7,435	5.1
Adjustments in respect of current tax of previous periods	(72,013)		(24,450)	
Profits and losses attributable to associates	(995)		(1,231)	
Income not subject to tax	(17,065)		(26,403)	
Expenses not deductible for tax	24,221		35,556	
Tax losses utilised from previous periods	(6,489)		(2,049)	
Tax losses not recognised	36,030		53,076	
Others	(10,160)		(16,912)	
Tax charge/(credit) at the Group's effective rate	(37,359)	(66.3)	25,022	17.0

The share of tax credit attributable to associates amounting to approximately HK\$7,250,000 (2014: tax expense of HK\$51,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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11. DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Interim – HK3.40 cents (2014: HK4.00 cents) per ordinary share	35,045	42,377
Proposed final – HK4.30 cents (2014: HK6.27 cents) per ordinary share	44,035	65,585
Adjustment on 2014 final dividend	–	(458)
	79,080	107,504

The final dividend for the year end 31 December 2015 proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

NOTES TO FINANCIAL STATEMENTS

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12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$88,152,000 (2014: HK\$119,405,000) and the weighted average number of ordinary shares of 1,035,494,000 (2014: 1,057,175,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the exercise price of the share options of the Company outstanding during the year is higher than the average market price of the Company's ordinary shares during the year and, accordingly, they have no dilutive effect on the basic earnings per share amounts presented.

The calculations of basic earnings per share are based on:

	2015 HK\$'000	2014 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	88,152	119,405
	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,035,494,000	1,057,175,000

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13. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2015							
At 31 December 2014 and at 1 January 2015:							
Cost		561,717	401,684	144,781	566,927	33,108	1,708,217
Accumulated depreciation and impairment		(90,172)	(300,419)	(118,989)	(397,732)	(25,835)	(933,147)
Net carrying amount		471,545	101,265	25,792	169,195	7,273	775,070
At 1 January 2015, net of accumulated depreciation and impairment							
		471,545	101,265	25,792	169,195	7,273	775,070
Additions		-	18,430	28,262	31,583	973	79,248
Disposals/write-off		-	(9,000)	(1,553)	(1,472)	(376)	(12,401)
Depreciation		(13,097)	(40,743)	(6,262)	(48,993)	(2,463)	(111,558)
Surplus on revaluation		25,763	-	-	-	-	25,763
Impairment		-	(3,176)	-	-	-	(3,176)
Transferred to investment properties	14	(54,217)	-	-	-	-	(54,217)
Exchange realignment		(16,891)	(4,141)	(2,114)	(17,601)	(378)	(41,125)
At 31 December 2015, net of accumulated depreciation and impairment							
		413,103	62,635	44,125	132,712	5,029	657,604
At 31 December 2015:							
Cost		508,725	296,913	153,117	506,533	29,383	1,494,671
Accumulated depreciation and impairment		(95,622)	(234,278)	(108,992)	(373,821)	(24,354)	(837,067)
Net carrying amount		413,103	62,635	44,125	132,712	5,029	657,604

NOTES TO FINANCIAL STATEMENTS

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (*CONTINUED*)

	Note	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2014							
At 1 January 2014:							
Cost		580,666	422,130	151,546	546,109	37,341	1,737,792
Accumulated depreciation and impairment		(81,295)	(297,173)	(113,580)	(392,595)	(28,043)	(912,686)
Net carrying amount		499,371	124,957	37,966	153,514	9,298	825,106
At 1 January 2014, net of accumulated depreciation and impairment							
		499,371	124,957	37,966	153,514	9,298	825,106
Additions		8,553	36,800	7,443	79,472	2,650	134,918
Disposals/write-off		–	(7,638)	(1,493)	(6,019)	(805)	(15,955)
Depreciation		(14,664)	(51,942)	(15,473)	(50,626)	(3,833)	(136,538)
Transferred to investment properties	14	(21,714)	–	–	–	–	(21,714)
Impairment		–	(912)	–	(2,806)	–	(3,718)
Exchange realignment		(1)	–	(2,651)	(4,340)	(37)	(7,029)
At 31 December 2014, net of accumulated depreciation and impairment							
		471,545	101,265	25,792	169,195	7,273	775,070
At 31 December 2014:							
Cost		561,717	401,684	144,781	566,927	33,108	1,708,217
Accumulated depreciation and impairment		(90,172)	(300,419)	(118,989)	(397,732)	(25,835)	(933,147)
Net carrying amount		471,545	101,265	25,792	169,195	7,273	775,070

NOTES TO FINANCIAL STATEMENTS

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (*CONTINUED*)

For the years ended 31 December 2015 and 31 December 2014, the directors considered that certain property, plant and equipment of the Group were subject to impairment losses because of the planned closure of certain stores in the foreseeable future, which were suffered from substantial losses in recent years. The directors considered those property, plant and equipment have minimal use in future and, accordingly, impairment losses of HK\$3,176,000 (2014: HK\$3,718,000) were recognised after an impairment assessment carried out by management.

14. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
Carrying amount at 1 January	80,363	–
Additions during the year	29,421	45,908
Net gain from a fair value adjustment (note 5)	599	12,741
Transfer from owner-occupied properties (note 13)	54,217	21,714
Exchange realignment	(2,906)	–
Carrying amount at 31 December	161,694	80,363

The Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 35 to the financial statements.

The Group's investments properties were revalued at the end of the reporting period by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer. The valuations were based on the capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

In the opinion of the directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use.

Further particulars of the Group's investment properties are included on page 158.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

14. INVESTMENT PROPERTIES (*CONTINUED*)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties.

As at 31 December 2015

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Commercial properties	–	–	161,694	161,694

As at 31 December 2014

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Commercial properties	–	–	80,363	80,363

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014:Nil).

Unrealised gains included in the consolidated statement of profit or loss on investment properties for the year ended 31 December 2015 were HK\$599,000 (2014: HK\$12,741,000).

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14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

Description of valuation techniques used and key inputs to valuation on investment properties is as follows:

	Valuation technique	Significant unobservable inputs	Range	
			2015	2014
Commercial properties	Income capitalisation method	Estimated monthly rental value per square metre (RMB) Capitalisation rate	RMB54 to RMB740 5.5% to 6.0%	RMB63 to RMB426 5.5% to 6.5%

Significant increases/(decreases) in estimated rental value per square metre or per unit in isolation would result in significantly higher/(lower) fair value of the investment properties. Significant increases/(decreases) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties.

15. PREPAID LAND LEASE PAYMENTS

	2015 HK\$'000	2014 HK\$'000
Carrying amount at 1 January	5,860	6,037
Recognised during the year	(171)	(177)
Exchange realignment	(212)	–
Carrying amount at 31 December	5,477	5,860
Current portion included in prepayments, deposits and other receivables	(170)	(177)
Non-current portion	5,307	5,683

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16. GOODWILL

	2015 HK\$'000	2014 HK\$'000
At 1 January:		
Cost	45,288	47,552
Accumulated impairment	(6,240)	(6,552)
Net carrying amount	39,048	41,000
Cost at 1 January, net of accumulated impairment	39,048	41,000
Exchange realignment	(4,556)	(1,952)
Net carrying amount at 31 December	34,492	39,048
At 31 December:		
Cost	40,004	45,288
Accumulated impairment	(5,512)	(6,240)
Net carrying amount	34,492	39,048

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the retail operations cash-generating unit of the New Zealand's operations, which is a reportable segment, for impairment testing.

In 2015, the recoverable amount of the New Zealand's retail operations cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 13.0% (2014: 16.0%) and cash flows beyond the five-year period were extrapolated using a growth rate of 3.0% (2014: 3.0%) which was the same as the long term average growth rate of the retail operations in New Zealand. Senior management believes that this growth rate is justified, based on the Group's past experience in the retail operations in New Zealand.

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16. GOODWILL (*CONTINUED*)

Impairment testing of goodwill (*continued*)

Assumptions were used in the value in use calculation of the retail operations cash-generating unit for 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the retail operations in New Zealand.

The values assigned to the key assumptions on budgeted gross margins and discount rates are consistent with external information sources.

17. INVESTMENTS IN ASSOCIATES

	Notes	2015 HK\$'000	2014 HK\$'000
Share of net assets	(d)	38,220	32,186
Loans to associates	(b)	56,375	56,375
		94,595	88,561
Provision for impairment of loans to associates		(56,375)	(56,375)
		38,220	32,186

NOTES TO FINANCIAL STATEMENTS

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17. INVESTMENTS IN ASSOCIATES (*CONTINUED*)

Notes:

- (a) Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of incorporation or registration/ business	Percentage of ownership interest attributable to the Group	Principal activities
Quiksilver Glorious Sun JV Limited ("Quiksilver GS")	Ordinary shares of HK\$10,000	Hong Kong	50	Retail of apparel
Rays Industries (BVI) Limited ("Rays")	Ordinary shares of US\$2	British Virgin Islands/ Hong Kong	50	Investment holding

The Group's shareholdings in the associates are held through wholly-owned subsidiaries of the Company.

- (b) The loans to associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's investments in the associates.
- (c) The Group has discontinued the recognition of its share of losses from certain of its associates because the share of losses of these associates exceeded the Group's interest therein and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses for the current year and cumulatively were HK\$19,180,000 (2014:HK\$1,397,000) and HK\$42,968,000 (2014: HK\$23,788,000), respectively.

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17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (continued)

- (d) Quiksilver GS and Rays are considered material associates of the Group and are accounted for using the equity method. Quiksilver GS and its subsidiaries (collectively as the “Quiksilver GS Group”) are engaged in the retail of apparel. Rays and its subsidiaries (collectively as the “Rays Group”) are engaged in the manufacture of apparel.

The following tables illustrate the summarised financial information of the Quiksilver GS Group and the Rays Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2015 HK\$'000	2014 HK\$'000
Quiksilver GS Group		
Current assets	160,054	215,710
Non-current assets	21,917	7,107
Current liabilities	(250,964)	(254,614)
Net liabilities	(68,993)	(31,797)
Reconciliation to the Group's interest in the Quiksilver GS Group:		
Proportion of the Group's ownership	50%	50%
The Group's share of net liabilities of the Quiksilver GS Group	(34,497)	(15,899)
The Group's unrecognised share of losses of the Quiksilver GS Group	34,497	15,899
Carrying amount of the investment in the Quiksilver GS Group	–	–
Revenues	188,364	271,411
Profit/(loss) for the year	(37,196)	3,313
Other comprehensive income	–	295
Total comprehensive income/(loss) for the year	(37,196)	3,608

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17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (continued)

(d) (continued)

	2015 HK\$'000	2014 HK\$'000
Rays Group		
Current assets	107,497	109,001
Current liabilities	(25,165)	(38,735)
Net assets attributable to Rays' shareholders	82,332	70,266
Reconciliation to the Group's interest in the Rays Group:		
Proportion of the Group's ownership	50%	50%
The Group's share of net assets of the Rays Group	41,166	35,133
Carrying amount of the investment in the Rays Group	41,166	35,133
Revenues	2,140	36,140
Profit for the year attributable to Ray's shareholders	12,066	14,920
Other comprehensive income attributable to Rays' shareholders	–	(2)
Total comprehensive income for the year attributable to Ray's shareholders	12,066	14,918
Dividend received	–	54,122

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 HK\$'000	2014 HK\$'000
Share of the associates' profit for the year	–	–
Share of the associates' other comprehensive income	1	–
Share of the associates' total comprehensive income	1	–
Aggregate carrying amount of the Group's investments in the associates	(2,946)	(2,947)

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18. HELD-TO-MATURITY INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Listed debt investments, at amortised cost	660,482	501,735
Less: current portion	–	(37,787)
Non-current portion	660,482	463,948

The effective interest rates of the held-to-maturity investments ranged from 8.13% to 9.63% (2014: 8.10% to 9.63%) per annum and these investments will mature in 2018 to 2022.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Listed equity investment, at fair value	–	28,801
Unlisted equity investment, at cost less impairment	12,048	12,500
	12,048	41,301

During the year, the net loss in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$2,533,000 (2014: gain of HK\$17,195,000), and a gain of HK\$20,032,000 (2014: HK\$69,255,000) was reclassified from other comprehensive income to the statement of profit or loss for the year upon disposal of the available-for-sale investments.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2015, an unlisted equity investment with a carrying amount of HK\$12,048,000 (2014: HK\$12,500,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

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20. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	9,272	11,970
Work in progress	63,341	42,296
Finished goods	518,616	661,694
	591,229	715,960

21. TRADE AND BILLS RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	347,052	318,765
Bills receivable	366	1,611
	347,418	320,376
Impairment	(8,368)	(5,658)
	339,050	314,718

The credit period is generally 45 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	2015 HK\$'000	2014 HK\$'000
Current	269,500	228,418
Less than 4 months	38,848	52,629
4 to 6 months	4,706	18,124
Over 6 months	25,996	15,547
	339,050	314,718

The movements in provision for impairment of trade receivables areas follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	5,658	9,622
Impairment losses recognised (note 7)	2,815	–
Impairment losses reversed (note 7)	–	(3,964)
Exchange realignment	(105)	–
	8,368	5,658

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$8,368,000 (2014: HK\$5,658,000) with a carrying amount before provision of HK\$8,368,000 (2014: HK\$5,658,000).

The individually impaired trade receivables related to customers that were in financial difficulties or were in default in principal payments and full provision was made in respect of these outstanding balances.

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21. TRADE AND BILLS RECEIVABLES (CONTINUED)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	269,500	228,418
Less than 6 months past due	43,188	69,142
Over 6 months past due	25,996	15,547
	338,684	313,107

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Prepayments	145,869	136,678
Deposits and other receivables	186,905	229,756
Total prepayments, deposits and other receivables	332,774	366,434
Portion classified as non-current portion	(11,894)	(20,744)
Current portion	320,880	345,690

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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23. DUE FROM OTHER RELATED COMPANIES

Particulars of the amounts due from other related companies disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	Balance at 31 December 2015 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 31 December 2014 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 1 January 2014 HK\$'000
G.S. Property Management Limited	408	758	341	595	325
Golden Sunshine Enterprises Limited	2	25	25	29	27
Harbour Guide Limited	42	42	-	1,080	1,080
Gloryear Management Limited	717	1,344	727	848	778
Rank Profit Industries Limited	269	976	257	687	325
Huizhou Xin An Garment Mfy. Company Limited (惠州新安製衣廠有限公司) ^{@#}	92	92	95	303	249
J-Loong Trading Limited	-	-	-	7	7
Gennon Enterprises Limited	4	4	-	16	16
Gennon Fashion Garment Manufactory (H.K.) Limited	-	-	-	41	41
Gennon International Trading (H.K.) Limited	1	1	1	62	62
Chapman Development Limited	-	-	-	84	84
Chapman International Macao Commercial Offshore Limited	-	-	-	70	70
Main Pui Investments Limited	-	-	-	26	26
	1,535		1,446		3,090

All of the above related companies are controlled by Dr. Charles Yeung, SBS, JP and/or Mr. Yeung Chun Fan, both being directors of the Company.

[@] The official name of this entity is in Chinese. The English translation of the name is for identification purpose only.

[#] The amount is trade in nature.

The amounts are unsecured, interest-free and have no fixed terms of repayment.

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24. OTHER INVESTMENT

The Group's other investment represents investment in a principal guaranteed deposit placed in a bank in the PRC. In accordance with the agreement, this principal guaranteed deposit was fully guaranteed by the bank while return was not guaranteed and the maximum expected rates of return ranged from 1.25% to 2.25% per annum. This principal guaranteed deposit is stated at cost less any impairment loss. The deposit was fully redeemed upon its maturity in January 2016.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2015 HK\$'000	2014 HK\$'000
Cash and bank balances		613,038	765,963
Time deposits		150,794	1,080,875
		763,832	1,846,838
Less: Time deposit pledged for bank loans	28(a), 34	(30,396)	(833,441)
		733,436	1,013,397

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK\$448,972,000 (2014: HK\$540,377,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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26. TRADE PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	2015 HK\$'000	2014 HK\$'000
Less than 4 months	594,287	578,926
4 to 6 months	1,261	705
Over 6 months	260	273
	595,808	579,904

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

27. OTHER PAYABLES AND ACCRUALS

	2015 HK\$'000	2014 HK\$'000
Other payables	118,335	139,253
Accruals	493,131	664,135
	611,466	803,388

Other payables are non-interest-bearing and have an average credit term of three months.

As at 31 December 2015, included in the other payables are amounts due to other related companies of approximately HK\$795,000 (2014: HK\$2,600,000) and dividend payable to non-controlling shareholders of approximately HK\$4,216,000 (2014: Nil) which are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2015 HK\$'000
Current			
Other loans – unsecured	6.84	2016	7,778
Bank loans – unsecured	1.22 – 5.58	On demand/2016	214,941
			222,719
Non-current			
Other loan – unsecured	6.84	2017	5,961
			228,680
2014			
	Effective interest rate (%)	Maturity	2014 HK\$'000
Current			
Other loans – unsecured	6.84	2015	2,064
Bank loans – unsecured	0.52 – 7.00	On demand/2015	1,009,556
			1,011,620
Non-current			
Other loans – unsecured	6.84	2016 - 2017	3,705
			1,015,325

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28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2015 HK\$'000	2014 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	214,941	1,009,556
Other borrowings repayable:		
Within one year or on demand	7,778	2,064
In the second year	5,961	3,705
	13,739	5,769
	228,680	1,015,325

Notes:

- (a) Certain of the Group's bank loans are secured by:
- (i) certain bank deposits of HK\$833,441,000 as at 31 December 2014 (2015: Nil); and
 - (ii) corporate and personal guarantees provided by non-controlling shareholders of a subsidiary up to approximately HK\$13,156,000 as at 31 December 2015 (2014: HK\$9,100,000).
- (b) All interest-bearing bank borrowings and other borrowings are denominated in the functional currencies of the respective entities to which they relate, except for bank loans of HK\$801,107,000 as at 31 December 2014 denominated in United States dollars were held by an entity with the Hong Kong dollar as its functional currency.

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29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	28,396	165	3,181	–	31,577	165
Reclassification	7,355	30,316	–	–	7,355	30,316
Deferred tax charged/(credited) to the statement of profit or loss during the year	(1,419)	(2,085)	1,027	3,181	(392)	1,096
Charged to other comprehensive income	–	–	6,480	–	6,480	–
Exchange realignment	(1,021)	–	(115)	–	(1,136)	–
Gross deferred tax liabilities at 31 December	33,311	28,396	10,573	3,181	43,884	31,577

Deferred tax assets

	Provisions		Losses available for offsetting taxable profits		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	33,099	26,824	7,580	–	40,679	26,824
Deferred tax credited/(charged) to the statement of profit or loss during the year	(342)	9,347	2,579	7,580	2,237	16,927
Exchange realignment	(3,812)	(3,072)	(1,529)	–	(5,341)	(3,072)
Gross deferred tax assets at 31 December	28,945	33,099	8,630	7,580	37,575	40,679

NOTES TO FINANCIAL STATEMENTS

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29. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Hong Kong of HK\$69,413,000 (2014: HK\$56,566,000), subject to agreement by the Hong Kong Inland Revenue Department (the "IRD"), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$391,305,000 at 31 December 2015 (2014: HK\$438,332,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	Number of ordinary shares		2015 HK\$'000	2014 HK\$'000
	2015 '000	2014 '000		
Authorised:				
Ordinary shares of HK\$0.10 each	6,000,000	6,000,000	600,000	600,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	1,024,056	1,049,356	102,406	104,936

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30. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue of HK\$0.1 each '000	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2014	1,059,414	105,941	384,521	490,462
Cancellation of shares repurchased (note 32(v))	(10,058)	(1,005)	(15,917)	(16,922)
At 31 December 2014 and 1 January 2015	1,049,356	104,936	368,604	473,540
Cancellation of shares repurchased (note 32(v))	(25,300)	(2,530)	(36,490)	(39,020)
At 31 December 2015	1,024,056	102,406	332,114	434,520

31. SHARE OPTION SCHEMES

On 2 June 2015, the shareholders of the Company approved the termination (to the effect that the Company can no longer grant any further options) of the share option scheme adopted by the Company on 1 September 2005 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"). All share options granted and outstanding prior to the termination of the Old Scheme will remain in full force and effect.

The purpose of the Old Scheme and the New Scheme (the "Schemes") is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders.

(a) Old Scheme

Pursuant to the Old Scheme, the maximum number of shares in respect of which options may be granted must not in aggregate exceed 10% of the shares in issue at the date of approval of the Old Scheme. The maximum number of shares issuable under share options to each eligible participant in the Old Scheme in any 12-month period is limited to 1% of the ordinary shares of the Company in issue.

NOTES TO FINANCIAL STATEMENTS

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31. SHARE OPTION SCHEMES (CONTINUED)

(a) Old Scheme (continued)

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted was determinable by the directors, and commenced after a certain vesting period and ended on a date which is not later than 10 years from the date of the offer of the share options.

The subscription price of the share options is determinable by the board of directors, but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing prices of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share of the Company.

The following share options were outstanding under the Old Scheme during the year:

	2015		2014	
	Weighted average subscription price HK\$ per share	Number of options '000	Weighted average subscription price HK\$ per share	Number of options '000
At 1 January	1.940	57,000	3.315	4,000
Granted during the year	–	–	1.836	53,000
Lapsed or cancelled during the year	1.836	(13,730)	–	–
At 31 December	1.973	43,270	1.940	57,000

No share options were exercised during the years ended 31 December 2015 and 31 December 2014.

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31. SHARE OPTION SCHEMES (CONTINUED)

(a) Old Scheme (continued)

Particulars of the share options outstanding as at the end of the reporting period are as follows:

Category of participant	Number of shares subject to options				At 31 December 2015 '000	Share options			
	At 1 January 2015 '000	During the year		Lapsed or cancelled '000		Date of grant	Fully vested by	Exercise period	Subscription price* HK\$ per share
	Granted '000	Exercised '000	At 31 December 2015 '000						
Employees in aggregate	2,000	-	-	-	2,000	23/9/2008	23/9/2010	1/10/2010 to 22/9/2018	3.31
	2,000	-	-	-	2,000	8/10/2010	8/10/2014	8/10/2014 to 7/10/2020	3.32
	13,996	-	-	13,063	933	20/2/2014***	1/4/2015	1/4/2017 to 19/2/2024	1.836
	13,996	-	-	333	13,663	20/2/2014***	1/4/2016	1/4/2018 to 19/2/2024	1.836
	14,008	-	-	334	13,674	20/2/2014***	1/4/2017**	1/4/2019 to 19/2/2024	1.836
	6,500	-	-	-	6,500	20/2/2014***	1/4/2018**	1/4/2020 to 19/2/2024	1.836
	4,500	-	-	-	4,500	20/2/2014***	1/4/2019**	1/4/2021 to 19/2/2024	1.836
	57,000	-	-	13,730	43,270				

* The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The performance targets of the share options are not yet set as at 31 December 2015 and are subject to the discretion of the Group.

*** The vesting of the share options is subject to the achievement of the prescribed performance targets to be met by the grantees.

NOTES TO FINANCIAL STATEMENTS

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31. SHARE OPTION SCHEMES (CONTINUED)

(a) Old Scheme (continued)

The fair value of equity-settled share options granted during the prior year was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2014
Dividend yield (%)	7.06
Expected volatility (%)	32.12
Historical volatility (%)	32.12
Risk-free interest rate (%)	1.51
Expected life of options (year)	6.15
Weighted average share price (HK\$ per share)	1.73

The expected life of the options was taken at the mid-point of the exercise period and was not necessarily indicative of the exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome.

(b) New Scheme

The New Scheme was adopted by the Company on 2 June 2015, unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from the date of adoption. Terms of the New Scheme are substantially the same as those under the Old Scheme.

103,871,400 shares are issuable under the New Scheme representing approximately 10.14% of the total number of issued shares of the Company at the report date.

No share options were granted under Schemes during the year and the Group recognised a share option expense of approximately HK\$68,000 (2014: HK\$199,000) during the year ended 31 December 2015.

At the end of the reporting period, the Company had 43,270,000 share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 43,270,000 additional ordinary shares of the Company and additional share capital of HK\$4,327,000 and share premium of HK\$81,032,720 (before issue expenses).

At the date of approval of these financial statements, the Company had 43,270,000 share options outstanding under the Schemes, which represented approximately 4.23% of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

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32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 58 and 59 of the financial statements.

(i) Contributed surplus

The Group's contributed surplus represents the excess of the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1996.

(ii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(iii) Asset revaluation reserve

The asset revaluation arose from a change in use from owner-occupied properties to investment properties carried at fair value during the year ended 31 December 2015.

(iv) Other reserves

Other reserves comprise:

- (1) pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to other reserves, which are restricted as to use; and
- (2) the difference between the amounts of consideration and carrying amounts of non-controlling interests acquired.

NOTES TO FINANCIAL STATEMENTS

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32. RESERVES (CONTINUED)

(v) Treasury shares

During the year ended 31 December 2015, the Company repurchased its own ordinary shares of 23,436,000 (2014: 11,922,000) on the Stock Exchange for an aggregate price of approximately HK\$35,928,000 (2014: HK\$20,014,000), of which 25,300,000 (2014: 10,058,000) ordinary shares were cancelled by the Company as at 31 December 2015. Upon the cancellation of the 25,300,000 (2014: 10,058,000) shares repurchased, the issued share capital of the Company was reduced by the par value of HK\$2,530,000 (2014: HK\$1,005,000) and the premium paid on the repurchase of these cancelled shares of approximately HK\$36,490,000 (2014: HK\$15,917,000), including transaction costs, was deducted from share premium of the Company. As at 31 December 2015, no shares were repurchased but not yet cancelled by the Company. As at 31 December 2014, 1,864,000 ordinary shares were repurchased but not yet cancelled by the Company and were included in "Treasury Shares" in the Company's reserves at the consideration (including transaction costs) of approximately HK\$3,092,000.

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

2015

Month of repurchase	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate price HK\$'000
January 2015	652,000	1.68	1.62	1,095
February 2015	834,000	1.67	1.65	1,390
March 2015	4,330,000	1.61	1.57	6,936
April 2015	2,962,000	1.68	1.59	4,846
June 2015	2,872,000	1.68	1.60	4,797
July 2015	5,106,000	1.63	1.47	7,975
August 2015	222,000	1.37	1.35	316
September 2015	1,100,000	1.37	1.28	1,476
October 2015	2,236,000	1.35	1.25	2,901
November 2015	3,122,000	1.39	1.32	4,196
	23,436,000			35,928

NOTES TO FINANCIAL STATEMENTS

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32. RESERVES (CONTINUED)

(v) Treasury shares (continued)

2014				
Month of repurchase	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate price HK\$'000
September 2014	4,120,000	1.68	1.67	6,944
October 2014	2,920,000	1.68	1.65	4,902
November 2014	2,960,000	1.68	1.67	4,979
December 2014	1,922,000	1.67	1.63	3,189
	11,922,000			20,014

33. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2015	2014
Shijiazhuang Changhong		
Percentage of equity interest held by non-controlling interests	35.0%	35.0%
	2015	2014
	HK\$'000	HK\$'000
Shijiazhuang Changhong		
Profit for the year allocated to non-controlling interests	6,099	3,185
Dividends paid to non-controlling interests	6,747	2,888
Accumulated balances of non-controlling interests at the reporting dates	19,847	21,271

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33. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (*CONTINUED*)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Shijiazhuang Changhong	2015 HK\$'000	2014 HK\$'000
Revenue	342,973	327,923
Profit for the year	17,253	9,052
Total comprehensive income for the year	15,069	9,052
Current assets	200,381	197,952
Non-current assets	28,198	32,925
Current liabilities	(173,081)	(171,198)
Net cash flows from operating activities	16,047	3,630
Net cash flows used in investing activities	(551)	(10,870)
Net cash flows used in financing activities	(22,004)	(2,108)
Net decrease in cash and cash equivalents	(6,508)	(9,348)

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34. CONTINGENT LIABILITIES

- (a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2015 HK\$'000	2014 HK\$'000
Bank guarantees provided for facilities granted to an associate	30,000	–
Extent of the guaranteed facilities utilised by an associate	24,322	–

- (b) One of the Company's wholly-owned subsidiaries (the "Subsidiary") was under investigation by the IRD regarding previous years' tax computations. The Subsidiary was requested by the IRD to pay additional taxes, and was found by the District Court to be liable to pay a judgement debt of approximately HK\$7,250,000, which included the above additional taxes under dispute. The additional assessments are under vigorous objection by the Subsidiary and the investigation is not yet finalised at the date on which these financial statements were approved.

Management of the Subsidiary believes that previous years' tax computations were prepared on a proper basis and the Subsidiary has reasonable grounds to defend against the additional assessments. Should the IRD's final assessments be held against the Subsidiary and should the Subsidiary be required to pay additional taxes, the directors of the Company, based on the presently available information, believe that the amount of additional taxes to be borne by the Group would not have any material adverse impact on the financial position of the Group. In the opinion of the directors of the Company, the Group has made appropriate tax provision in the consolidated financial statements.

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35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) and some other properties under operating lease arrangements, with leases negotiated for terms ranging from two to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	11,633	5,146
In the second to fifth years, inclusive	31,352	16,604
After five years	12,352	–
	55,337	21,750

(b) As lessee

The Group leases certain of its retail stores and office properties under operating lease arrangements, with leases negotiated for terms ranging from three to fifteen years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	372,889	487,786
In the second to fifth years, inclusive	652,374	736,103
After five years	17,095	43,552
	1,042,358	1,267,441

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36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK\$'000	2014 HK\$'000
<hr/>		
Contracted, but not provided for:		
Leasehold improvements	1,205	530
<hr/>		
Authorised, but not contracted for:		
Leasehold improvements	65	–
<hr/>		
	1,270	530
<hr/>		

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
	Notes	2015 HK\$'000	2014 HK\$'000
<hr/>			
Purchases of goods from associates	(i)	11,286	5,937
Purchases of goods from companies controlled by certain directors of the Company	(ii)	8,519	28,262
Rental expenses paid to companies controlled by certain directors of the Company	(iii)	21,680	21,454
Rental expenses paid to sons of a director of the Company	(iii)	2,479	462
Management fees paid to companies controlled by certain directors of the Company	(iv)	2,089	2,025
<hr/>			

NOTES TO FINANCIAL STATEMENTS

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37. RELATED PARTY TRANSACTIONS

(a) *(continued)*

Notes:

- (i) The purchases of goods from associates were made according to the published prices and conditions offered by the associates to their major customers.
- (ii) The purchases of goods were made according to the prices mutually agreed by the parties on individual order placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.
- (iii) The rental expenses were charged according to the rental agreements which were based on the prevailing open market rentals.
- (iv) The management fees were charged according to the management services agreements signed between the parties having regards to the cost of services provided.

(b) Other transaction with related parties:

On 21 December 2015, Glorious Sun Trading (HK) Limited, a wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement, pursuant to which the vendor disposed of 8,300,000 ordinary shares of I.T Limited to Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan, both are directors and substantial shareholders of the Company at a consideration of HK\$16,956,900. Details of the transaction are set out in the Company's announcement dated on 21 December 2015.

(c) Commitments with related parties:

Subsidiaries of the Group entered into several non-cancellable operating lease arrangements as lessees with companies controlled by certain directors of the Company or family members of a director of the Company with lease terms ranging from two to three years. The total amount of rental expenses for the year is included in note 37(a)(iii) to the financial statements. The Group expects total rental expenses to related parties under these non-cancellable operating lease arrangements in 2016 and 2017 to be approximately HK\$26,355,000 and HK\$28,091,000 respectively.

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37. RELATED PARTY TRANSACTIONS (*CONTINUED*)

- (d) Outstanding balances with related parties:
- (i) The Group had outstanding receivables from and payables to other related companies of approximately HK\$1,535,000 (2014: HK\$ 1,446,000) and approximately HK\$795,000 (2014: HK\$ 2,600,000), respectively, as at the end of the reporting period. The balances with other related companies are unsecured, interest-free and have no fixed terms of repayment.
- (ii) Details of the Group's loans to associates as at the end of the reporting period are included in note 17(b) to the financial statements. The other balances with associates are unsecured, interest-free and have no fixed terms of repayment.
- (e) Compensation of key management personnel of the Group:

	2015 HK\$'000	2014 HK\$'000
Short term employee benefits	31,669	37,571
Post-employment benefits	756	760
Total compensation paid to key management personnel	32,425	38,331

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(ii), (a)(iii), (a)(iv) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Held-to- maturity investments HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Held-to-maturity investments	660,482	–	–	660,482
Available-for-sale investments	–	–	12,048	12,048
Trade and bills receivables	–	339,050	–	339,050
Financial assets included in prepayments, deposits and other receivables	–	186,905	–	186,905
Due from associates	–	55,823	–	55,823
Due from other related companies	–	1,535	–	1,535
Other investment	–	4,819	–	4,819
Pledged deposits	–	30,396	–	30,396
Cash and cash equivalents	–	733,436	–	733,436
	660,482	1,351,964	12,048	2,024,494

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	595,808
Financial liabilities included in other payables and accruals	285,024
Due to associates	86
Interest-bearing bank and other borrowings	228,680
	1,109,598

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38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2014

Financial assets

	Held-to- maturity investments HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Held-to-maturity investments	501,735	–	–	501,735
Available-for-sale investments	–	–	41,301	41,301
Trade and bills receivables	–	314,718	–	314,718
Financial assets included in prepayments, deposits and other receivables	–	229,756	–	229,756
Due from associates	–	75,088	–	75,088
Due from other related companies	–	1,446	–	1,446
Pledged deposits	–	833,441	–	833,441
Cash and cash equivalents	–	1,013,397	–	1,013,397
	501,735	2,467,846	41,301	3,010,882

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	579,904
Financial liabilities included in other payables and accruals	417,206
Due to associates	16,729
Interest-bearing bank and other borrowings	1,015,325
	2,029,164

NOTES TO FINANCIAL STATEMENTS

31 December 2015

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Financial assets				
Held-to-maturity investments	660,482	501,735	696,268	491,638

Management has assessed that the fair values of cash and cash equivalents, other investment, pledged deposits, trade and bills receivables, trade and bills payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from other related companies, amounts due from/to associates and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant. The fair values of the non-current portion of deposits and interest-bearing bank and other borrowings approximate to their carrying amounts as at 31 December 2015 and 2014.

The fair values of listed equity available-for-sale investments and held-to-maturity investments are based on quoted market prices.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2014

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale equity investment	28,801	–	–	28,801

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 (2014: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Held-to-maturity investments	696,268	–	–	696,268

As at 31 December 2014

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Held-to-maturity investments	491,638	–	–	491,638

NOTES TO FINANCIAL STATEMENTS

31 December 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise held-to-maturity investments, available-for-sale investments, bank loans and overdrafts, other investment, and cash and deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing bank borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

For floating-rate borrowings, assuming the amount of liability outstanding as at the end of the reporting period was outstanding for the whole year, a 50-basis point increase/decrease in interest rates at 31 December 2015 and 2014 would have decreased/increased the Group's profit before tax by HK\$984,000 and HK\$2,395,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

Cash at banks earns interest at floating rates based on daily bank deposit rates. A 50-basis point increase/decrease in interest rates at 31 December 2015 and 2014 would have increased/decreased the Group's profit before tax by HK\$3,057,000 and HK\$3,819,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, mostly in United States dollars. The Group uses derivative financial instruments to reduce its foreign currency risk. As the Hong Kong dollar is pegged to the United States dollar, the Group does not anticipate significant movements in the exchange rate. The Group monitors the foreign exchange rate risk on an ongoing basis.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, held-to-maturity investments, amounts due from associates and other related companies, other investment, and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. The Group's policy is to match the maturity of borrowings with expected cash inflows from the relevant assets acquired to ensure proper funding.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2015			Total HK\$'000
	On demand or within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade and bills payables	595,808	–	–	595,808
Financial liabilities included in other payables and accruals	285,024	–	–	285,024
Due to associates	86	–	–	86
Interest-bearing bank and other borrowings	224,506	6,485	–	230,991
	1,105,424	6,485	–	1,111,909
	2014			Total HK\$'000
	On demand or within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade and bills payables	579,904	–	–	579,904
Financial liabilities included in other payables and accruals	417,206	–	–	417,206
Due to associates	16,729	–	–	16,729
Interest-bearing bank and other borrowings	1,014,429	4,080	–	1,018,509
	2,028,268	4,080	–	2,032,348

NOTES TO FINANCIAL STATEMENTS

31 December 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from its available-for-sale investment (note 19) as at 31 December 2014. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period.

The Hong Kong Hang Seng Index at the close of business of the nearest trading day in the year to the end of the reporting period and its respective highest and lowest points during the year were as follows:

	31 December 2015	High/low 2015	31 December 2014	High/low 2014
Hong Kong – Hang Seng Index	21,914	28,133/ 20,841	23,605	25,318/ 21,182

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on its carrying amount at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investment, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk (continued)

	Carrying amount of equity investment HK\$'000	Increase/ decrease in profit before tax HK\$'000	Increase/ decrease in equity* HK\$'000
2015			
Investment listed in Hong Kong:			
– Available-for-sale	–	–	–
2014			
Investment listed in Hong Kong:			
– Available-for-sale	28,801	–	2,880

* Excluding retained profits

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, raise and repay debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity plus total borrowings. Total borrowings include interest-bearing bank and other borrowings. Total shareholders' equity comprises all components of equity attributable to ordinary equity holders of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods were as follows:

	2015 HK\$'000	2014 HK\$'000
Total borrowings	228,680	1,015,325
Total shareholders' equity	2,039,838	2,134,230
Total borrowings and total shareholders' equity	2,268,518	3,149,555
Gearing ratio	10.1%	32.2%

41. EVENTS AFTER THE REPORTING PERIOD

Up to the date of approval of these financial statements, there have been no events subsequent to the reporting period which require adjustment of or disclosure in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSET		
Investment in a subsidiary	939,776	972,033
CURRENT ASSETS		
Other receivables	17	20,032
Pledged deposits	30,396	833,441
Cash and cash equivalents	26,442	127,094
Total current assets	56,855	980,567
CURRENT LIABILITIES		
Interest bearing bank borrowing	50,000	–
Other payables	291	2,472
Due to a subsidiary	–	925,099
Total current liabilities	50,291	927,571
NET CURRENT ASSETS	6,564	52,996
Net assets	946,340	1,025,029
EQUITY		
Issued capital	102,406	104,936
Other reserves (note)	843,934	920,093
Total equity	946,340	1,025,029

NOTES TO FINANCIAL STATEMENTS

31 December 2015

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Treasury shares HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	384,521	–	377,567	1,278	160,556	923,922
Total comprehensive income for the year	–	–	–	–	143,701	143,701
Shares repurchased	–	(20,014)	–	–	–	(20,014)
Cancellation of shares repurchased	(15,917)	16,922	–	–	–	1,005
Equity-settled share option arrangements	–	–	–	199	–	199
Final 2013 dividend	–	–	–	–	(86,343)	(86,343)
Interim 2014 dividend	–	–	–	–	(42,377)	(42,377)
At 31 December 2014 and 1 January 2015	368,604	(3,092)	377,567	1,477	175,537	920,093
Total comprehensive income for the year	–	–	–	–	57,343	57,343
Shares repurchased	–	(35,928)	–	–	–	(35,928)
Cancellation of shares repurchased	(36,490)	39,020	–	–	–	2,530
Equity-settled share option arrangements	–	–	–	68	–	68
Final 2014 dividend	–	–	–	–	(65,127)	(65,127)
Interim 2015 dividend	–	–	–	–	(35,045)	(35,045)
At 31 December 2015	332,114	–	377,567	1,545	132,708	843,934

NOTES TO FINANCIAL STATEMENTS

31 December 2015

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2016.

PARTICULARS OF PROPERTIES

31 December 2015

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Unit A on Level 1 of No.69 Taiyuan North Street, Heping District, Shenyang, Liaoning Province, the People's Republic of China	Commercial	Medium term lease	100%
Units 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308 and 2309 on Level 23, and 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, and 2409 on Level 24 of Ruihe Centre situated at No. 63 Tannan Road, Changan District, Shijiazhuang, Hebei Province, the People's Republic of China	Commercial	Medium term lease	100%
Unit 1 on Level 1 of Ping Street, No. 218 Bayi Road, Yuzhong District, Chongqing, the People's Republic of China	Commercial	Medium term lease	100%
Units 1702-1703 on Level 17, Block 1, No. 160 Qiaokou Road, Qiaokou District, Wuhan, Hubei Province, the People's Republic of China	Commercial	Medium term lease	100%
Units 2601, 2602, 2603 on Level 26, Block 1, No. 100 Nan Nei Huan Street, Taiyuan District, Shanxi Province, the People's Republic of China	Commercial	Medium term lease	100%
Units 118,123,124,125 on Level 1, No. 109 Furong Middle Road, Kaifu District, Changsha, Hunan Province, the People's Republic of China	Commercial	Medium term lease	100%

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
CONTINUING OPERATIONS					
REVENUE	4,337,606	5,854,683	6,754,220	6,801,829	6,258,407
Operating profit	50,343	139,443	79,540	202,262	403,036
Share of profits and losses of associates	6,033	7,460	15,804	9,278	4,455
Profit before tax	56,376	146,903	95,344	211,540	407,491
Income tax credit/(expense)	37,359	(25,022)	(47,626)	(22,395)	(70,013)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	93,735	121,881	47,718	189,145	337,478
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	–	–	69,212	(56,511)	(27,489)
Profit for the year	93,735	121,881	116,930	132,634	309,989
Attributable to:					
Ordinary equity holders of the Company	88,152	119,405	138,455	160,876	317,268
Non-controlling interests	5,583	2,476	(21,525)	(28,242)	(7,279)
	93,735	121,881	116,930	132,634	309,989

FINANCIAL SUMMARY

A summary of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	As at 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
TOTAL ASSETS	3,696,484	4,836,549	4,284,619	5,243,934	5,135,273
TOTAL LIABILITIES	1,647,290	2,690,983	2,040,411	2,709,810	2,487,295
NON-CONTROLLING INTERESTS	9,356	11,336	11,748	114,379	135,180
	2,039,838	2,134,230	2,232,460	2,419,745	2,512,798

A fashion advertisement featuring a model in a light blue button-down shirt and teal pants, with another person's legs in tan pants visible on the right. The text 'CASUAL PANTS' is overlaid in large green letters.

CASUAL PANTS

2016 SPRING COLLECTION

