TRISTATE

Annual Report 2015

Tristate Holdings Limited

Stock Code: 458

Contents

Corporate Information

WANG KOO Yik Chun
Honorary Chairlady

Board of Directors

Executive Director:

WANG Kin Chung, Peter,
Chairman and Chief Executive Officer

Non-Executive Directors:

WANG KOO Yik Chun, *Honorary Chairlady*
MAK WANG Wing Yee, Winnie
WANG Shui Chung, Patrick

Independent Non-Executive Directors:

LO Kai Yiu, Anthony
James Christopher KRALIK
Peter TAN

Audit Committee

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

Remuneration Committee

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

Share Option Committee

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

Chief Financial Officer and Company Secretary

AU King Lun, Paulina

Auditor

KPMG, *Certified Public Accountants*

Legal Advisors

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

Principal Bankers

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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business in Hong Kong

5th Floor, 66–72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong

Tel	:	(852) 2279-3888
Fax	:	(852) 2480-4676
Website	:	http://www.tristateww.com

Corporate Communications

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Tristate Holdings Limited
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Kwai Chung, New Territories
Hong Kong

Tel	:	(852) 2279-3888
Fax	:	(852) 2423-5576
Email	:	cosec@tristateww.com

Listing Information

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1988.

Stock short name	:	Tristate Hold
Stock code	:	458
Board lot	:	1,000 shares

Principal Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Tel	:	(441) 299-3882
Fax	:	(441) 295-6759

Branch Registrar and Transfer Office

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

Tel	:	(852) 2862-8555
Fax	:	(852) 2865-0990

Five-Year Financial Summary

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Consolidated Statement of Profit and Loss					
Revenue	**2,515,738**	3,580,029	3,599,903	3,387,877	3,273,299
(Loss)/profit for the year attributable to:					
Equity shareholders of the Company	**(45,669)**	148,277	43,439	109,045	249,362
Non-controlling interests	**(22)**	21	(36)	(26)	(24)
(Loss)/profit for the year	**(45,691)**	148,298	43,403	109,019	249,338
Basic (loss)/earnings per share attributable to equity shareholders of the Company	**HK$(0.17)**	HK$0.55	HK$0.16	HK$0.40	HK$0.93
Consolidated Statement of Financial Position					
Non-current assets	**821,069**	802,932	975,666	1,002,503	997,407
Current assets	**1,401,159**	2,041,360	1,761,598	1,568,538	1,513,481
Current liabilities	**743,478**	1,175,690	1,109,124	952,621	893,655
Net current assets	**657,681**	865,670	652,474	615,917	619,826
Total assets less current liabilities	**1,478,750**	1,668,602	1,628,140	1,618,420	1,617,233
Non-current liabilities	**96,904**	115,631	171,358	217,537	255,962
Net assets	**1,381,846**	1,552,971	1,456,782	1,400,883	1,361,271
Capital and reserves attributable to equity shareholders of the Company	**1,381,532**	1,552,635	1,456,467	1,400,532	1,360,894
Non-controlling interests	**314**	336	315	351	377
Total equity	**1,381,846**	1,552,971	1,456,782	1,400,883	1,361,271

Chairman's Statement

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

The year 2015 is a challenging year for the garment and apparel industry. Amid such market condition, Tristate has achieved our plan in developing brand portfolio and gradually improving our garment manufacturing business.

In developing brand portfolio, the Group acquired a well known global premium Italian men's sportswear brand "C.P. Company" in November 2015 at a consideration of EUR19.2 million. Founded in 1975 by Mr. Massimo Osti, the "Godfather of Sportswear", C.P. Company has a strong Italian heritage with innovative designs which pursuit for personality. The Group will start to distribute C.P. Company products from Fall/Winter 2016, while Spring/Summer 2017 as our first designed collection.

On garment manufacturing, in accordance with our plan, our Hefei factory has completed rationalisation of production headcount and focusing in manufacturing outerwear products. Together with our R&D center Trinovation Lab, garment dyeing and other technological capabilities inside this factory compound, this competitive production base is well equipped to serve our global premium customers and receiving positive response.

Results and Dividends

During the year ended 31 December 2015, the Group recorded a loss attributable to equity shareholders of HK$46 million (2014: profit of HK$148 million). EBIT before non-recurring items amounted to HK$0.8 million (2014: HK$97 million). Notwithstanding the improvement in our garment manufacturing business, the change from profit in 2014 to loss attributable to equity shareholders in 2015 is mainly due to lack of non-recurring post-tax gain on disposal of a subsidiary, Chochuen Garment (Shenzhen) Co., Ltd. of HK$123 million recorded in 2014; worsen China retail market for our branded product business, as well as start up costs for our new proprietary brands Cissonne and EFM (Engineered for Motion) launched in 2014.

The Board of Directors of the Company does not recommend the payment of a final dividend.

Our Strategy

Tristate's strategy is to create greater synergy between our unique manufacturing expertise, product innovation capability, and build a group of global brands being recognised for their product-centric innovation and cultural authenticity.

Brand Development

In our branded business, we segmented into premium men's smart casual brands which covers C.P. Company and EFM, premium ladies' lifestyle brand Cissonne, and active brands for China distribution. Premium men's and ladies' brands are fully supported by our product innovation capability.

C.P. Company's archive remains a source of inspiration for the design of its current collections. The brand has always been revered by product connoisseurs for its avant-garde reinterpretation of classic British sportswear and military uniforms, combining Italian fabric innovation and technological performance with a discrete modern gentleman's styling. After the brand acquired by Tristate, C.P. Company remains true to its unique brand DNA, collaborating with Italy's leading sportswear designers and suppliers, as well as engaging the Trinovation Lab's hi-tech machinery and know-how for truly experimental adventures at the cutting-edge of industrial innovation.

EFM was founded in New York in 2014 by Mr. Donrad Duncan, one of the most distinctive voices in the world of urban sportswear. EFM is produced exclusively by Tristate's Trinovation Lab and represents the pinnacle of made in China luxury technical menswear innovation, pushing the designer's signature values of comfort and urban minimalism to new levels. In January 2016, Donrad was awarded the Fashion Group International's 2016 Rising Star Award for Menswear. This award recognises and honors up-and-coming individuals in the fashion and design industries each year.

Cissonne, our premium ladies lifestyle brand, is created as an international flavour female brand. In January 2015, we opened our first flagship store in Shanghai. Cissonne has another two stores located in Shanghai and Hangzhou, with Beijing store opening in the second half of 2016. Its ladies wears use luxury natural fibre material together with technical fabrics and are inspired by ballerina elegance. The brand offers the popular mother-daughter costume collection which attracts attention from young and affluent mothers. We got very positive feedback and well acceptance by our customers about our high quality fabrics and special features.

HASKI is our own active brand with authentic outdoor performance designed specifically for the mass market, offering to both men and ladies. It was founded in 2012 in China and inspired by the exploits of Siberian Huskies and their drivers during the 1925 Alaskan "Great Race of Mercy". HASKI now focuses on online sales through Tmall and VIPS.

Garment Manufacturing

Tristate is a recognised leader in outerwear and dress up garment manufacturing. Adding to the expression of tailoring and craftsmanship expertise, Tristate also embraces technological innovation into the production flow.

We operate a multi-level automation and specialisation production system using special machines and skill modules. This production system allows for new technologies, automation and specialised skill operators to build sub-assembly components in a multi-level processing flow, coordinated by a pull system and tracked by a batch bar coding system. With this system, we are able to guarantee quality consistency, high productivity, and at the same time, quickly integrate to many different forms of product. It also helps to control rising factory costs and price pressure from our customers.

Product Innovation

In response to the 21st century fashion's desire for continuous innovation and ever greater functionality, our R&D center Trinovation Lab which housed in our Hefei industrial compound, is dedicated to high performance wear and luxury and focuses on three parts of product innovation – material, construction and design.

The Lab collaborates closely with our own brands offering them the possibility for the kind of deep research, experimentation and creative risk-taking that has always characterised the world's most innovative luxury sportswear, and which is otherwise impossible in today's traditional manufacturer-brand relationships.

Human Resources

With many talented, experienced and dedicated staffs in our Group, we continue to focus on enhancing teamwork across functions and geographies. We shall maintain our best practices to become a leader in the industry in attracting and retaining branding and manufacturing talents.

Outlook

2016 will be another challenging year. Despite macro-economic challenges, market softness and short-term volatilities, Tristate will stay focused on our strategy.

For branded business, we have integrated and consolidated two of our premium men's brands (C.P. Company and EFM), into one business unit. In fact, both brands are a good complement targeting different consumer segment in the premium men's smart casual brands. This integration gives business synergy for brand development as well as offers better resources in every functions.

On garment manufacturing, the global market is still tough and uncertain. With the measures taken in 2015, we aim to significantly reduce our Hefei factory's operating loss in 2016. We shall continue to apply our unique manufacturing system in our factories to guarantee quality consistency, high productivity and finally cost efficiency. This enables us to support our customers in this difficult time.

We are cautious, and at the same time, invest for the future. The acquisition of C.P. Company brought the Group's branded business to a new phase. We shall continue to create synergy between brand development, our unique manufacturing expertise and product innovation. The Group has its competitive strengths and talented professionals and continued innovation, we are confident that we shall be able to rise to the challenges ahead.

Appreciation

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

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 21 March 2016

Management Discussion and Analysis

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of the Group for the year ended 31 December 2015.

Overview

For the year ended 31 December 2015, the Group recorded a loss attributable to equity shareholders of HK$46 million (2014: profit of HK$148 million). EBIT before non-recurring items amounted to HK$0.8 million (2014: HK$97 million). Notwithstanding the improvement in our garment manufacturing business, the change from profit in 2014 to loss attributable to equity shareholders in 2015 is mainly due to lack of non-recurring post-tax gain on disposal of a subsidiary, Chochuen Garment (Shenzhen) Co., Ltd. of HK$123 million recorded in 2014; worsen China retail market for our branded product business, as well as start up costs for our new proprietary brands Cissonne and EFM (Engineered for Motion) launched in 2014.

The year 2015 is a challenging year for the garment and apparel industry. Amid such market condition, Tristate has achieved our plan in developing brand portfolio and gradually improving our garment manufacturing business.

In developing brand portfolio, the Group acquired a well known global premium Italian men's sportswear brand "C.P. Company" in November 2015 at a consideration of EUR19.2 million. Founded in 1975 by Mr. Massimo Osti, the "Godfather of Sportswear", C.P. Company has a strong Italian heritage with innovative designs which pursuit for personality. The Group will start to distribute C.P. Company products from Fall/Winter 2016, while Spring/Summer 2017 as our first designed collection.

As stated in the Group's 2014 annual report, the early termination of the license granted to the Group for the distribution of Jack Wolfskin products in the People's Republic of China (the "PRC") took effect on 27 March 2015. Upon the license termination, the Group ceased to distribute Jack Wolfskin products in the PRC. The Jack Wolfskin PRC distribution business has been a steady income contributor to the Group, with revenue totalling HK$204 million in 2015 up to the termination date (full year 2014: HK$972 million). Shanghai Tristate Enterprises Co., Ltd. ("Shanghai Tristate"), a wholly-owned subsidiary of the Group, has started to provide consultancy services to Jack Wolfskin Trading (Shanghai) Co., Ltd. ("JW PRC Co") from the termination date to 31 December 2017, to advise and assist JW PRC Co on the development, procurement, sale and marketing of the Jack Wolfskin products in the PRC, as well as in relation to the management of the Jack Wolfskin PRC business. Shanghai Tristate shall receive consultancy fee amounting to substantially the entire pre-tax earnings of JW PRC Co for the period from the termination date to 31 December 2015, and on certain agreed percentages of the gross profits of JW PRC Co in 2016 and 2017. In addition, Shanghai Tristate receives monthly fees for the provision of certain transitional services to JW PRC Co to facilitate the transition of the Jack Wolfskin PRC business. Following the license termination, the Group is no longer required to finance the working capital requirement for the Jack Wolfskin PRC business.

On garment manufacturing, in accordance with our plan, our Hefei factory has completed rationalisation of production headcount and focusing in manufacturing outerwear products. Together with our R&D center Trinovation Lab, garment dyeing and other technological capabilities inside this factory compound, this competitive production base is well equipped to serve our global premium customers and receiving positive response.

Financial Highlights

	Note	**2015** **HK$ million**	2014 HK$ million	Change
Operating results				
Revenue		**2,516**	3,580	–30%
Gross profit		**581**	1,091	–47%
EBIT before non-recurring items	1	**1**	97	–99%
Non-recurring (loss)/profit before tax		**(16)**	137	–112%
(Loss)/profit from operations after non-recurring items		**(15)**	234	–106%
(Loss)/profit attributable to equity shareholders		**(46)**	148	–131%
Segment results				
Garment manufacturing segment results before non-recurring items and tax		**4**	(40)	+110%
Garment manufacturing segment results after non-recurring items and tax		**(19)**	(77)	+75%
Branded product business segment results before tax		**21**	152	–86%
Branded product business segment results after tax		**(11)**	90	–112%
Financial position				
Current assets		**1,401**	2,041	–31%
Current liabilities		**743**	1,176	–37%
Cash and bank balances		**666**	723	–8%
Bank borrowings		**325**	444	–27%
Total equity		**1,382**	1,553	–11%
Cash flow and capital expenditure				
Cash generated from operations		**196**	87	+125%
Capital expenditure				
Property, plant and equipment		**22**	54	–59%
Trademark		**166**	–	N/A

	Note	2015	2014	Change
Key ratios				
Gross profit margin		**23.1%**	30.5%	–7.4 pp
Operating profit margin before non-recurring items		**0.1%**	2.7%	–2.6 pp
Net (loss)/profit margin		**(1.8%)**	4.1%	–5.9 pp
Return on average equity (ROE)	2	**(3.1%)**	9.9%	–13.0 pp

Notes:

1. Non-recurring items represent net gain on disposal of a subsidiary, net gain on disposal of freehold land and building, impairment of goodwill and restructuring costs as included in the consolidated statement of profit and loss.

2. ROE is calculated as (loss)/profit attributable to equity shareholders over average total equity for the current and prior years.

Financial Review

Revenue

Total revenue of the Group for the year 2015 was HK$2,516 million (2014: HK$3,580 million), representing a decrease of 30% as compared with 2014.

Revenue of the branded product distribution, retail and trading segment was HK$588 million as compared with HK$1,481 million in 2014. The decrease is mainly due to the early termination of Jack Wolfskin license and the decline in revenue of HASKI and Nautica. The challenging retail market in China brought conservative perspective to our distribution network and low sell-through by our franchisees, noticeably in the fourth quarter of 2015. Consultancy and transitional services fee income from JW PRC Co are recorded under other income and other gains.

During the year ended 31 December 2015, the Group has a net reduction of 58 points-of-sale ("POS") for HASKI and the total number of POS for the branded product distribution and retail business was 353 at end of 2015 (2014: 1,160 including Jack Wolfskin). The Group has officially opened a directly-managed HASKI flagship store on Tmall.

The decreases in top line as well as our footprint were driven by the overall retail landscape and tough market environment for premium branded apparel in Mainland China and Hong Kong that affected nearly all market participants. Ongoing challenges at retail in China come from various factors including a shifting retail landscape where the rise of e-commerce has put tremendous pressure on our traditional sales channels; changing spending patterns where today's consumers are inclined to spend more of their discretionary income on experiential goods and services rather than material items such as apparel; downward pressure on premium retail pricing once again mainly caused by the rise of e-commerce which features a very promotional nature in China; and a general economic malaise that can be attributed to China's lowest levels of GDP growth in the past two decades.

Cissonne's ladies wears are inspired by ballerina elegance. The use of simple and neat tailoring fits very closely to women – stretchy, flexible, lightweight, slim looking and stylish. Cissonne received much acclaim about its high-quality fabrics, special features and the popular mother-daughter costume collection. In 2015, Cissonne has stores in Shanghai Kerry Centre, Shanghai Zhen Ning Road and Hangzhou Tower Shopping City. Beijing store will be opened in the second half of 2016.

EFM is produced exclusively by Tristate's Trinovation Lab and represents the luxury technical menswear innovation, pushing the designer's signature values of comfort and urban minimalism to new levels. Most recently, EFM was highlighted by fashion trend reporting megasite WGSN as the embodiment of luxury active performance wear, confirming our market positioning as an industry leader. In 2015, EFM established new partnerships with apparel retailers – including influential international accounts located in New York, Berlin and Rotterdam. In January 2016, Mr. Donrad Duncan, creative director and founder of EFM, was awarded Fashion Group International's 2016 Rising Star Award for Menswear. This award recognises and honors up-and-coming individuals in the fashion and design industries each year.

Revenue from the garment manufacturing segment was HK$1,928 million as compared with HK$2,099 million in 2014. Revenue from higher margin global fashion brands customers (which cover mainly more complicated outerwear categories) was down by 8% in 2015 as compared with 2014. This was mainly attributable to change in production base and drop in outlet orders by customers. In 2015, global fashion brands customers accounted for 59% (2014: 59%) of the segment revenue. In general, the increase in sales of outerwear products shifted our peak production season to the second and third quarters while sales income are skewed towards Fall/Winter seasons. Sales to national brands customers decreased by 9% in 2015 as we have reduced our capacity for categories with challenging price.

Geographically, major markets of the Group are the PRC, the US and the UK, which accounted for 37% (2014: 51%), 33% (2014: 26%) and 23% (2014: 17%) respectively of the Group's total revenue. The change in geographical sales proportion is mainly due to the early termination of Jack Wolfskin business in the PRC.

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

Gross Profit

During the year, the Group's overall gross profit recorded at HK$581 million (2014: HK$1,091 million), representing a gross profit margin of 23.1% (2014: 30.5%). The decrease in gross profit was mainly attributable to reduced turnover following the early termination of Jack Wolfskin license. Despite the garment manufacturing business saw gross profit margin increase, the overall gross profit margin was impacted by the drop of higher-margin branded product wholesale business following the license termination.

In branded product business, the year-on-year gross profit margin for Nautica has been stable in 2015. However, due to the tough 2015 winter season sell-through for HASKI, additional provisions have been made for inventories, sales incentives to franchisees, goods exchange and returns. This has caused the reduction in gross profit margin of the segment.

Gross profit margin of the garment manufacturing segment was better than the previous year despite a drop in revenue, which is due to the sales mix of higher margin products increased, continued production process improvements and lower production cost after labour rationalisation carried out in our Hefei factory (see discussion on restructuring costs below).

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly advertising and promotion, royalty and shop expenses of the branded product distribution, retail and trading business. Selling and distribution expenses decreased as compared to 2014 mainly due to royalty and advertising expenses dropped following the Jack Wolfskin license termination in March 2015.

General and Administrative Expenses

General and administrative expenses dropped by 13% to HK$541 million as compared with HK$623 million in 2014 mainly due to Jack Wolfskin license termination and cost control.

Restructuring Costs

Restructuring costs represent labour rationalisation cost of HK$16 million incurred by Hefei factory during its production upgrade for producing outerwear products.

Segment Results

In 2015, our branded product business segment performance dropped as compared with the previous year. Macro-economic environment in China continued to worsen, causing revenue and contribution decline in our overall China branded product business, including our consultancy service fee income from JW PRC Co. Additional provisions on inventories and returns have been made for HASKI in view of the market situation. Also, during 2015, the Group took up the start-up costs for our new premium brands, Cissonne and EFM, both launched in 2014.

Segment results for garment manufacturing business improved in 2015 due to improvement in gross profit and savings in selling and administrative expenses.

Working Capital

Unlike previous years, the Group is no longer required to finance the working capital requirement for the Jack Wolfskin PRC business. As a result, the Group's working capital elements as included under current assets and current liabilities were reduced as compared with the previous year.

There were no material acquisitions or disposals of subsidiaries or associated companies during the year and up to the date of this Annual Report and no important events affecting the Group have occurred since 31 December 2015 and up to the date of this Annual Report.

Financial Resources and Liquidity

As at 31 December 2015, cash and bank balances amounted to HK$666 million (2014: HK$723 million) which mainly represented Renminbi bank deposits in the PRC and US dollars bank balances. Short-term bank borrowings of the Group amounted to HK$325 million as at 31 December 2015 (2014: HK$444 million). Such borrowings were mainly denominated in US dollars. As at 31 December 2015, HK$313 million (2014: HK$434 million) and HK$12 million (2014: HK$10 million) of the short-term bank borrowings were interest bearing at fixed rates and floating rates, respectively. The Group maintained sufficient banking facilities and did not have any long-term bank borrowings outstanding as at 31 December 2015. As at 31 December 2015 and 2014, banking facilities extended to the Group were not secured with the Group's assets. The gearing ratio of the Group is calculated as net borrowings divided by total capital. Net borrowings were calculated as total bank borrowings less cash and bank balances, while total capital comprised total equity plus net borrowings. The Group did not have net borrowings as at 31 December 2015, and accordingly, no information on gearing ratio as at that date is provided.

Cashflow from operation increased mainly due to cost savings from branded product business following Jack Wolfskin license termination and improvement in margin from garment manufacturing business.

Shareholders' equity at 31 December 2015 decreased mainly due to exchange difference on translating the financial statements of subsidiaries in the PRC and Thailand following the currency depreciation of Renminbi and Thai Baht during 2015, loss attributable to equity shareholders for the current year and changes in hedging reserve for the forward contracts.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi and Euro. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the year ended 31 December 2015, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollars denominated processing income for factories in the PRC and Euro for royalty payments to a licensor. The volatility of the exchange rate of Renminbi and Euro has yet to stabilise. Management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

Contingent Liabilities and Capital Commitments

There were no material capital commitments or contingent liabilities as at 31 December 2015 which would require a substantial use of the Group's present cash resources or external funding.

Human Resources

The Group had about 11,680 employees as at 31 December 2015 (2014: 12,680). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance were also awarded discretionary bonuses and share options.

Outlook

2016 will be another challenging year. Despite macro-economic challenges and short-term market volatilities, Tristate will stay focused on our strategy to create greater synergy between our unique manufacturing expertise and product innovation capability, and build a group of global brands being recognised for their product-centric innovation and cultural authenticity.

For branded business, we have integrated and consolidated our two premium men's brands (C.P. Company and EFM) into one business unit in 2016. In fact, both brands are a good complement targeting different consumer segment in the premium men's smart casual brands. This integration gives business synergy for brand development as well as offers better resources in every functions. In early 2016, we have established our design and product development center in Veneto, Italy and our sales and distribution center in Lugano, Switzerland. Both these locations serve as key hubs for this business unit. The Italy center can further collaborate with Trinovation Lab and Tristate in-house fulfillment to deliver more innovative products for our brand development.

For C.P. Company brand, Fall/Winter 2016 is our first sales season. The core markets are UK, Japan, Korea and Italy, while Germany, Benelux and Scandinavia are the growing markets. In January 2016, our Fall/Winter 2016 collection was presented to the distributors and agents in Milan and received positive feedback.

In the first quarter of 2016, EFM will engage in a highly targeted and aggressive sales campaign, in which we shall be participating in the CFDA New York Fashion Week: Men's, as well as several high end trade shows. EFM products have been well received and we shall further distribute EFM products to new markets.

In 2016, Cissonne will build to promote and stand out from the market. We shall focus on the excellence of product, visual merchandising and POS system, and reach out to the market through concept stores and collaboration with media. For products, Trinovation Lab continues to support excellent fabric innovation as well as construction innovation to make our products unique in the market place, and competitive in the premium world. 2016 will add three additional stores, two are for commercial objective, and one will be our flagship in Beijing.

For premium active brands for China mass market, Nautica and HASKI, HASKI will more focus on online sales through Tmall and VIPS, with a reduced number of POS. While e-commerce continues to see top line growth, average-unit-retail is down and profitability in this channel is being reduced due to deeper discounts and rising retail cost, such as marketing expenses and delivery fees. Also, for our China branded business in general, inventory positions at both the brand level and in the trade must be reconciled; supply chains must be organised to provide the right products at the right places at the right price and at the right time; new retail formats and experiences must be constantly enhanced; and marketing strategies must be geared to speak to and interact with consumers through a plethora of new media platforms.

Our garment manufacturing business has improved in 2015. 2016 is still a soft market for the global apparel industry. We shall continue to improve profitability by expanding our business with global fashion brands customers for producing complicated outerwear products. This growth strategy meets our product strength and manufacturing capabilities. We now have outerwear products produced in our China and Thailand factories while dress up business for mass market at competitive pricing focus in low cost Indochina production base – Vietnam and Myanmar. For outerwear production, our Hefei factory has completed production headcount rationalisation and focusing in producing outerwear products. We target to significantly reduce the factory's full year operating loss in 2016, with a turnaround in the second half 2016. We shall continue to apply our unique manufacturing system in our factories to guarantee quality consistency, high productivity and finally cost efficiency. For dress up tailoring business, our Myanmar factory will be fully loaded in 2016 with increased orders. We consolidate the dress up resources of the Group for a more effective organisation, starting from sales, sampling, production into one Indochina operation. We also plan to expand sourcing services to existing dress up customers and upgrade our Vietnam capabilities to produce more sophisticated tailoring products.

With these strategic initiatives, the Group will continue to exercise tight cost control and drive operating efficiency and productivity in our operations. We believe our directions and actions are on track and target a moderate improvement year on year for our manufacturing business.

We are cautious, and at the same time, invest for the future. The acquisition of C.P. Company brought the Group's branded business to a new phase. We shall continue to create synergy between brand development, our unique manufacturing expertise and product innovation. The Group has its competitive strengths and talented professionals and continued innovation, we are confident that we shall be able to rise to the challenges ahead.

Principal Risks and Uncertainties

The Group faces risks and uncertainties that could affect the Group's businesses and financial performance. The Group believes effective risk management is critical to achieve our business strategy. Key risk factors and uncertainties affecting the Group are outlined below.

Global and Macro-economic Risks

The principal business activities of the Group are branded product distribution and garment manufacturing with worldwide customers located in Europe, the US and Asia. The industries in which the Group operates are affected by the economic conditions and consumer spending behavior in these countries. Geographic spread of customers and multiple sales channels will mitigate localised economic risks.

Risks of Business Partner's Change in Business Strategy

Business partner's change in business strategy may result in loss in revenue of the Group. Garment manufacturing customer's strategy change in sourcing locations and competitive pricing may cause the Group loss of orders and revenue. Brand owners of our licensed brands change in market entry and licensing strategy may cause the Group to lose distribution rights in licensing the products. Our factories locate in a wide geography and serve a wide product range with different price level will mitigate business partner's change in business strategy. The Group's ongoing strategy in developing branded business will help to mitigate the impact of change in business strategy of licensed brands owners.

Risks of Increased Cost

Increased cost will impact the profitability of our business. For our branded product business, we have our own sourcing team with diversified supply network to handle material sourcing. For garment manufacturing business, our Group effectively earns cut and make profit. Increased cost in fabric material has little impact to the Group. On the other hand, labour and factory operating cost increase will impact profitability. The Group's diversification of factories in various countries in Asia, continued increase in sales of outerwear products and production process improvements will help to offset the rise in wages and staff costs.

Financing and Treasury Risks

The Group funds its current and future operations from internal sources of liquidity and bank borrowings. As at 31 December 2015, cash and bank balances amounted to HK$666 million. The Group has bank deposits in the PRC. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange in the PRC. The Group has experienced no restrictions on distribution and transfer of funds from the PRC. The Group maintained sufficient banking facilities and did not have term loan or long-term bank borrowings. Short-term bank borrowings of the Group amounted to HK$325 million as at 31 December 2015. The Group tends to have higher seasonal borrowings around the mid-year to finance the inventory requirements for the second half year.

The Group operates internationally and is thus exposed to foreign exchange risk arising from various currency exposures. The Group earns revenues, incurs costs and makes investments in various foreign currencies. The Group manages significant foreign exchange risk against the respective subsidiaries' functional currencies arising from future commercial transactions, recognised assets, liabilities and net investment in foreign operations principally by means of forward foreign exchange contracts. Our hedging strategy may not be effective in reducing all exchange risks.

Regulation Risks

The Group is increasingly subject to a broad and changing legal, tax, and regulatory requirements in the various jurisdictions the Group operates. New and changing policies or applications by governments may pose a risk to the Group's returns and/or subject the Group to legal challenge. The Group continually monitors changes in local government policies and legislation.

Relationship with Business Partners and Stakeholders

Relationship with Customers

The Group maintains long-term relationships with customers of our garment manufacturing and branded products distribution business. The Group has developed multi-products strategy and also strengthened our scope of services to our global brands customers. The Group has no concentration or a high level of dependency on individual customer.

Relationship with Suppliers

The Group maintains long-term relationships with suppliers and subcontractors. The Group has no concentration or a high level of dependency on a small group of suppliers. The suppliers of our garment manufacturing business are generally nominated by customers. For suppliers of our sourcing business, we communicate with them all the way through for them to understand our policies and requirements.

Relationship with Employees

The Group recognises and supports the culture of attracting, motivating and retaining talents. The Group provides competitive compensation and benefits for its employees. Remuneration packages are generally structured by reference to market and individual merits. Salaries are normally reviewed on an annual basis based on individual performance and financial performance of the Group. Those employees with outstanding performance are also awarded discretionary bonuses and share options. The Group promotes open communications, encourages continuous learning and supports different kind of training on leadership development programme.

Social Performance

The Group has been committed being a responsible social citizen and supports various charitable events, including making donations in relation to education, disaster reliefs and for the less-privileged, in particular supports local society needs where our group companies locate for the long term. In 2015, the Company participated in the Caring Company Scheme and collaborated with The Salvation Army on various charitable activities, such as fund raising and volunteer works. The Company is awarded the Caring Company Logo 2015/16.

Compliance with Relevant Laws and Regulations

As a socially responsible entity, the Group is committed to fostering long-term relationships with its shareholders, employees, customers and business partners. With these values in mind, we strive to deliver the best possible services and products and continue to uphold the highest standards on social accountability, environment, health and safety.

Workplace Quality

The Group believes that continued business success relies on good staff relations and support of our employees. The Group is committed to the health, safety and welfare of our employees. All major customers of our garment manufacturing business carry out regular audits on corporate social responsibilities to ensure all relevant laws and regulations are enforced in all our operations.

Health and Safety of Products

The Group places the highest importance on the welfare of people and for the benefit of society. The Group is committed to design and manufacture products which are safe and adhere to the required health and safety standards. We have stringent quality control system to ensure products meet the safety requirements. Our garment manufacturing customers also have active programme dedicated to reducing the environmental impact of their supply chains, including eliminate the release of chemicals that have safety and environmental impact. One of our global customers has pledged to remove all suspect toxic chemicals from its factories by 2020.

Environmental Policies and Performance

The Group is committed to creating a sustainable and greener environment and continues to explore ways to reduce carbon emission, conserve energy and reduce wastage. Our eco-friendly "green" factory in Hefei was accredited with a LEED silver rating, a high level certification for energy efficiency and overall environmental impact awarded by the U.S. Green Building Council. We have also implemented various environmental and sustainability initiatives in our factories, including energy efficient lighting, dual flush toilets and low flow fixtures, waste recycling system, water curtain air-conditioning as well as replacing traditional clutch motors with more energy efficient servo motors. Activities to raise awareness of sustainability are also organised. We are committed to uphold high environmental standards and meet relevant requirements under applicable laws or ordinances during the manufacturing processes. We did not identify non-compliance or breach of relevant standards, rules and regulations on air and greenhouse gas emission, discharges into water and land, generation of hazardous or non-hazardous wastes.

Corporate Governance Practices

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

Throughout the year ended 31 December 2015, the Company has complied with all the Code Provisions set out in the Corporate Governance Code (the "CG Code") contained 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"), except for the deviation from Code Provisions A.2.1, A.5 and A.6.7.

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

The Board

Board Composition

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

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

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

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

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

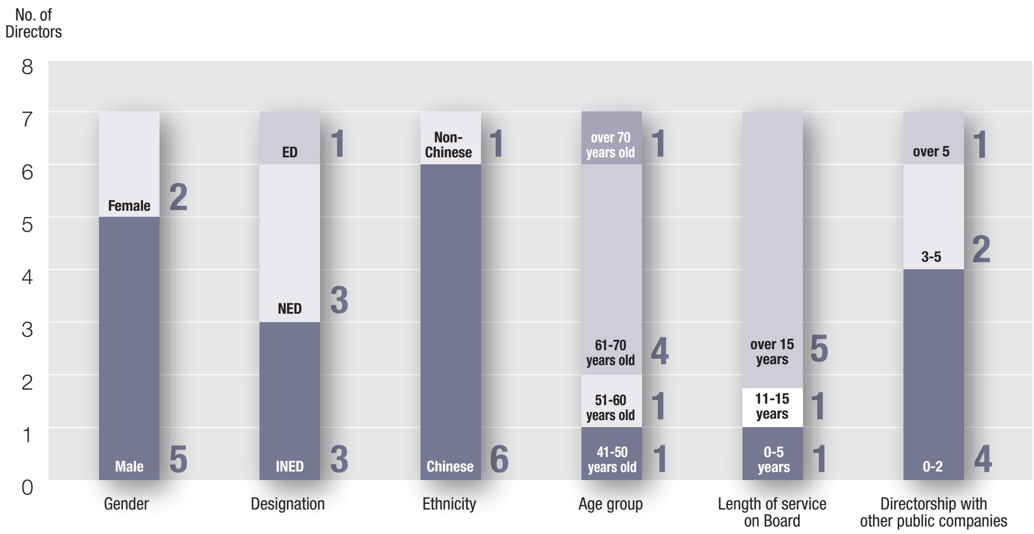
The Company maintains on its website and on the Stock Exchange's website an updated list of its Directors identifying their role and function.

Chairman and Chief Executive Officer

During the year ended 31 December 2015 and up to the date of this report, Mr. WANG Kin Chung, Peter is the Chairman and the CEO, and that the functions of the Chairman and the CEO in the Company's strategic planning and development process overlap. These constitute a deviation from Code Provision A.2.1 which stipulates that the roles of the Chairman and the CEO should be separate and should not be performed by the same individual.

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

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



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

Appointment and Election of Directors

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

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

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

Accordingly, at the forthcoming annual general meeting of the Company to be held on 6 June 2016 (the "2016 AGM"), Ms. MAK WANG Wing Yee, Winnie and Mr. James Christopher KRALIK will retire by rotation and, being eligible, offer themselves for re-election as Directors in accordance with the Bye-Laws.

The Board has assessed the independence of Mr. James Christopher KRALIK who has been Independent Non-Executive Director of the Company for more than nine years and considers that he continues to be independent, notwithstanding the length of his tenure, in accordance with the guidelines of independence as set out in Rule 3.13 of the Listing Rules. The re-election of Mr. James Christopher KRALIK as Independent Non-Executive Director will be subject to a separate resolution to be approved by shareholders at the 2016 AGM.

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

Roles and Responsibilities

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

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

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

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

A Non-Executive Director and two Independent Non-Executive Directors did not attend the annual general meeting held in year 2015 (the "2015 AGM") due to their other prior engagements. This constitutes a deviation from Code Provision A.6.7 which stipulates that Independent Non-Executive Directors and other Non-Executive Directors should attend general meetings.

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

Independence of Non-Executive Directors

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

Induction and Development

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

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

During the year ended 31 December 2015, the Directors participated in the following continuous professional development:

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

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

Board Process

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

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

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

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

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

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

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

Directors' Attendance Records

During the year ended 31 December 2015, four regular Board meetings have been held. The attendance of each Director at these Board meetings, Board committee meetings and the 2015 AGM is set out below:

	Number of meetings attended/held			
	Board	Audit Committee	Remuneration Committee	2015 AGM
Executive Director:				
Mr. WANG Kin Chung, Peter	4/4	N/A	N/A	1/1
Non-Executive Directors:				
Ms. WANG KOO Yik Chun	3/4	N/A	N/A	1/1
Ms. MAK WANG Wing Yee, Winnie	4/4	3/3	1/1	1/1
Dr. WANG Shui Chung, Patrick	4/4	N/A	N/A	0/1
Independent Non-Executive Directors:				
Mr. LO Kai Yiu, Anthony	4/4	3/3	1/1	1/1
Mr. James Christopher KRALIK	3/4	2/3	1/1	0/1
Mr. Peter TAN	3/4	N/A	0/1	0/1

N/A: Not applicable

Delegation by the Board

Board Committees

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

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

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

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

Audit Committee

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

A majority of the members of the Audit Committee are Independent Non-Executive Directors. During the year ended 31 December 2015 and up to the date of this report, the members of the Audit Committee are:

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

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

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

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

The Board agrees with the Audit Committee's proposal for the re-appointment of KPMG as the Company's external auditor for 2016. The recommendation will be presented for the approval of shareholders at the 2016 AGM.

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

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

The attendance of each member at the Audit Committee meetings held during the year ended 31 December 2015 is set out in the "Directors' attendance records" section of this report.

During the year ended 31 December 2015, the Audit Committee held three meetings and the work performed is set out below:

(i) reviewed the 2015 annual budget and 2015 internal audit plan;

(ii) reviewed the draft annual report and audited financial statements of the Group for the year ended 31 December 2014 and recommended the same to the Board for approval;

(iii) made recommendation to the Board on the change of the external auditor at the 2015 AGM and considered the proposed external auditor's remuneration;

(iv) reviewed the draft interim report and unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2015 and recommended the same to the Board for approval;

(v) reviewed the audit service plan from the external auditor, reviewed their independence and discussed with them the nature and scope of audit for the year ended 31 December 2015 and their reporting obligations, considered and approved their terms of engagement;

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

(vii) monitored the whistleblowing policy program throughout the year;

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

(ix) reviewed compliance and regulatory issues.

Remuneration Committee

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

A majority of the members of the Remuneration Committee are Independent Non-Executive Directors. During the year ended 31 December 2015 and up to the date of this report, the members of the Remuneration Committee are:

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

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

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

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

The attendance of each member at the Remuneration Committee meeting held during the year ended 31 December 2015 is set out in the "Directors' attendance records" section of this report.

During the year ended 31 December 2015, the Remuneration Committee held one meeting and the work performed is set out below:

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

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

(iii) made recommendation to the Board for revision of the remuneration policy of the Non-Executive Directors with effect from 1 January 2015.

Management Functions

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

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

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

Remuneration of Directors and Senior Management

The emoluments payable to the Directors are determined at arm's length on the basis of the responsibilities involved, time devoted, current financial position of the Company and the prevailing market conditions. At the 2015 AGM, the shareholders approved the authorisation of the Directors to fix their remuneration.

The policy adopted for the remuneration of the Non-Executive Directors since 1 January 2015 is set out below:

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

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

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

Notes:

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

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

The remunerations of members of Senior Management for the year ended 31 December 2015 are within the following bands:

	Number of individuals
Up to HK$3,000,000	**3**
HK$3,000,001 to HK$6,000,000	**3**
HK$12,000,001 to HK$15,000,000	**1**
	7

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

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

Accountability and Audit

Financial Reporting

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

The Directors acknowledge that they are responsible for preparing the accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flow for the year then ended. In preparing the accounts for the year ended 31 December 2015, the Directors have:

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

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

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

A statement by the Auditor about their reporting responsibilities is included in the Independent Auditor's Report on page 29.

Internal Control

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

The Board, through the Audit Committee, conducts reviews on the effectiveness of the system of internal controls for the year ended 31 December 2015 covering all material controls, including financial, operational, compliance controls and risk management functions.

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

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

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

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

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

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

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal controls of the Group and will continue to update the system of internal controls when there are changes in business and the external environment. During the year ended 31 December 2015, the Board is not aware of any major issues of concern, and appropriate measures have been taken to address areas identified for improvement.

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

Internal Audit Function

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

Internal audit department plays a significant role in reviewing and evaluating the internal controls of the Group. During the year ended 31 December 2015, internal audit department executed the internal audit assignments according to the approved annual internal audit plan. These assignments included but not limited to:

- conducting independent, comprehensive and regular audits of financial, operational and compliance controls and risk management functions of the Group, including recommending areas of improvement and monitoring corrective or remedial measures taken by management;

- overseeing the whistleblowing mechanism and conducting special investigation as appropriate; and
- conducting special reviews and investigations of areas of concern identified by the Board and the management.

The Head of Internal Audit reports to the Audit Committee on significant findings on internal controls, management responses and corrective measures executed by management in every Audit Committee meeting. During the year ended 31 December 2015, no significant control failure or significant areas of concern which might affect shareholders' interests were identified.

Auditors' Remuneration

In 2015, remunerations paid to KPMG, the Company's external auditor, and its associates in respect of audit and non-audit services provided to the Group are set out below:

	2015 *HK$'000*
Annual audit fees	**2,210**
Tax services fees	**180**
Other services fees	**429**
Total	**2,819**

Company Secretary

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

The Company Secretary is an employee of the Company and has taken over 15 hours of relevant professional training during the year ended 31 December 2015.

Shareholders Relation

Shareholders Engagement and Communication

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

At the 2015 AGM:

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

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

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

At the 2016 AGM, the Chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. The poll results will be posted on the websites of the Stock Exchange and the Company on the same day of the 2016 AGM.

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

Shareholders' Rights and Investor Relations

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

1. Convening a special general meeting ("SGM")

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

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

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

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

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

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

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

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

2. Putting forward proposals at general meetings

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

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

(ii) not less than one hundred shareholders.

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

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

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

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

3. Sending enquiries to the Board

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

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

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

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

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

The 2016 AGM will be held at Room 5A, 5th Floor, 66–72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong on Monday, 6 June 2016 at 10:00 a.m. The notice of the 2016 AGM will be sent to all shareholders separately. The Chairmen of the Board, the Audit Committee and the Remuneration Committee or their delegates, as well as the external auditor of the Company will attend the 2016 AGM to answer questions from the shareholders.

The important dates to shareholders in year 2016 are as follows:

Book close date for determining eligibility to attend and vote at the 2016 AGM:	Friday, 3 June 2016 to Monday, 6 June 2016, both days inclusive
2016 AGM:	Monday, 6 June 2016

On behalf of the Board

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 21 March 2016

Directors' and Senior Management's Profiles

Directors

Executive Director

Mr. WANG Kin Chung, Peter, *BSc, MBA*, aged 62, became the Company's President and Chief Executive Officer in 1999 and redesignated as the Chairman and Chief Executive Officer of the Company since 2001. He is also the Chairman of the Share Option Committee of the Company and a director of certain subsidiaries of the Company. Mr. Wang has over 30 years of experience in the garment industry and is responsible for the overall strategic planning and business development of the Company. Mr. Wang obtained a BSc degree in Industrial Engineering from Purdue University in Indiana, USA and an MBA degree from Boston University, USA. He is a non-executive director and a member of the audit committee of Johnson Electric Holdings Limited and the chairman and managing director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand). Mr. Wang won the Young Industrialist Award of Hong Kong in 1998. In 2005, he received the Outstanding Industrial Engineer Award from the School of Industrial Engineering of Purdue University. He is a member of Anhui Provincial Committee of Chinese People's Political Consultative Conference, the honorary chairman of the Hong Kong Garment Manufacturers Association, a general committee member of the Textile Council of Hong Kong Limited, a director of The Federation of Hong Kong Garment Manufacturers and a committee vice chairman of The Anhui Fraternity Association (Hong Kong) Limited. Mr. Wang is a son of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a brother of Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Directors of the Company. He is a director of Silver Tree Holdings Inc. which is a substantial shareholder of the Company as disclosed in the "Substantial Shareholders" section of the Report of the Directors.

Non-Executive Directors

Ms. WANG KOO Yik Chun, aged 98, became Co-chairlady and Honorary Co-chairlady in 1999 and 2001 respectively and then redesignated as the Honorary Chairlady of the Company since 2002. She is the founder of Hwa Fuh Manufacturing Company (Hong Kong) Limited and its subsidiaries. She is also the honorary chairman and a non-executive director of Johnson Electric Holdings Limited, a former director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand), and a director of certain subsidiaries of the Company. Ms. Koo is the mother of Mr. WANG Kin Chung, Peter, the Chairman and Chief Executive Officer of the Company, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Directors of the Company.

Ms. MAK WANG Wing Yee, Winnie, *BSc*, aged 69, obtained her BSc degree from Ohio University, USA and became a Non-Executive Director of the Company in April 1999. She is also a member of the Audit Committee, the Remuneration Committee and the Share Option Committee of the Company. Ms. Wang is a director of two subsidiaries of the Company. She is also the vice chairman of Johnson Electric Holdings Limited. Ms. Wang is a daughter of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a sister of Mr. WANG Kin Chung, Peter, the Chairman and Chief Executive Officer of the Company, and Dr. WANG Shui Chung, Patrick, a Director of the Company.

Dr. WANG Shui Chung, Patrick, *JP, BSc, MSc*, aged 65, obtained his BSc and MSc degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. He became a Non-Executive Director of the Company in April 1999 and is a director of a subsidiary of the Company. Dr. Wang is the chairman and chief executive of Johnson Electric Holdings Limited, and an independent non-executive director of VTech Holdings Limited. Dr. Wang previously served as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, and the chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited. Dr. Wang is a son of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a brother of Mr. WANG Kin Chung, Peter, the Chairman and Chief Executive Officer of the Company, and Ms. MAK WANG Wing Yee, Winnie, a Director of the Company.

Independent Non-Executive Directors

Mr. LO Kai Yiu, Anthony, aged 67, joined the Company in June 1998 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lo is qualified as a chartered accountant with the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants. In addition to over 8 years of professional accounting experience, he has over 30 years of experience in investment banking and other financial services. He is the chairman of Shanghai Century Capital Limited and serves as an independent non-executive director of a number of listed public companies, including Convenience Retail Asia Limited, Lam Soon (Hong Kong) Limited, Playmates Holdings Limited and The Taiwan Fund, Inc.

Mr. James Christopher KRALIK, aged 50, was appointed as an Independent Non-Executive Director of the Company in April 2002. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Kralik is the managing director of Linden Street Capital Limited, a privately held investment company focused on Greater China-based investment opportunities. He previously served as the chief executive officer of VTech Telecommunications Limited, built and led a Hong Kong-based group of media and entertainment businesses, and was a management consultant with McKinsey & Company, Inc. Mr. Kralik is a graduate of Harvard College and the Harvard Business School.

Mr. Peter TAN, aged 60, was appointed as an Independent Non-Executive Director and a member of the Remuneration Committee of the Company in January 2011. He is an independent non-executive director of The Sincere Company, Limited. Mr. Tan is currently chief executive officer of Stone Canyon Pte Ltd, an investment company. Prior to that, he was chief executive officer of Knowledge Universe Pte Ltd, a leading global private education organisation with a network of more than 3,000 locations worldwide. Before joining Knowledge Universe in 2013, Mr. Tan has more than 17 years' experience in the fast food industry. Mr. Tan was executive vice president and chief executive officer of Asia Pacific division of Burger King Corporation up to 2012. Before joining Burger King Corporation in 2005, Mr. Tan has served McDonald's Corporation for 10 years and was senior vice president and president of its Greater China division, responsible for strategic growth of the business and management of all key functions in the region. Prior to that, Mr. Tan was vice president of Citibank Singapore, Private Banking Group. He holds a BA degree in Accounting and Finance from the Washington State University, an MBA degree from the Kellogg School of Management at Northwestern University and was the chairman of the Kellogg Alumni Council (Asia).

Senior Management

Mr. Joshua Bruce PERLMAN, aged 46, joined the Group in 2003 and is the Managing Director of the Retail and Wholesale division of the Group's wholly-owned subsidiary, 338 Fashion Co. Limited. 338 Fashion Co. Limited is the exclusive licensee for Nautica in the China, Hong Kong and Macau markets, a licensee of Jack Wolfskin in the Hong Kong and Macau markets, and the owner of the HASKI brand. Mr. Perlman has over 20 years of experience in China working with renowned consumer lifestyle brands. A graduate of both Tulane University and the Johns Hopkins University Center for Chinese and American Studies in Nanjing, Mr. Perlman is a native of New York City, USA, and is fluent in Mandarin, Chinese.

Ms. MA Jingyan, Jane, aged 43, Managing Director of the Contract Manufacturing Business Unit, joined the Group in 2001. Ms. Ma has over 14 years of experience in the garment industry primarily on the marketing, sales and product development side for both UK and USA markets. She holds a Master Degree in Business Administration from Fordham University, New York.

Ms. ZHANG Xiaofang, Phyllis, aged 42, Managing Director of the Contract Manufacturing Business Unit for Dress-up, is also responsible for third party fulfillment. Ms. Zhang joined the Group in 2002 and has over 14 years of management experience in the garment industry. She holds a Master Degree in Business Administration from Peking University.

Ms. Takami WATANABE, aged 47, President of the Men's Smart Casual Business Unit, joined the Group in 2016. Ms. Watanabe is responsible for the Men's Smart Casual Brands of the Group – C.P. Company and EFM (Engineered for Motion). Prior to joining the Group, she is a founder of FGF Industry Japan, Inc. which is responsible for the sales and distribution of C.P. Company products in Japan. She has over 20 years of experience in investment banking, management consulting and corporate restructuring, and premium fashion retailing. She formerly worked with several international companies including The Dai-Ichi Kangyo Bank (now known as Mizuho Bank) and Merrill Lynch Japan. Ms. Watanabe holds a Bachelor Degree in Foreign Language and Studies with a major in International Law from Sophia University, Japan, and a Master Degree in Business Administration from UCLA.

Ms. SUN Lin, Sophie, aged 40, President of Cissonne, joined the Group in 2006. Ms. Sun was instrumental in the creation of Cissonne in 2014, the first ladies' premium brand of the Group. She is also the Director of Product Development and Central Sourcing of the Group. Ms. Sun holds a Master Degree in Business Administration from Fudan University, Shanghai.

Mr. Donrad DUNCAN, aged 53, Creative Director and the founder of EFM (Engineered for Motion). EFM was established in 2014 as the first proprietary menswear brand of the Group. Mr. Duncan has presented consecutive collections at the CFDA New York Fashion Week: Men's, and received Fashion Group International's 2016 Rising Star Award for Menswear. He is one of the most influential sportswear designers in men's apparel, and the only designer ever granted access to the legendary garment and fabric engineer Massimo Osti's archive in Bologna, Italy. Prior to founding EFM, he served as principal designer of Victorinox/Swiss Army apparel, and later as founder, owner and designer of the Ma.Strum brand, establishing his credentials at the forefront of an elite group of innovators in fabric, design, form and construction.

Ms. AU King Lun, Paulina, aged 46, Chief Financial Officer and Company Secretary, joined the Group in 2011. Prior to joining the Group, Ms. Au has over 14 years of experience in finance and accounting in companies listed in the USA and Hong Kong. In addition, she has over 5 years of professional accounting and auditing experience with one of the leading international accounting firms in Hong Kong. Ms. Au holds a Bachelor Degree in Accountancy from The City University of Hong Kong and a Master Degree in Applied Finance from Macquarie University, Australia. She is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. DUAN Zijian, Jack, aged 49, Executive Assistant to Chief Executive Officer, joined the Group in 2016. Mr. Duan has previously worked with the Group in 2003 to 2007 as the General Manager of the Panyu factories. Prior to re-joining the Group, he worked as General Manager of Hanesbrands (Nanjing) Textile Co., Ltd. Mr. Duan has extensive operational and management experience in the garment industry. He holds a Master Degree of Science from China Aerospace Academy and a Master Degree in Business Administration from the joint program of Peking University and Fordham University, New York.

Mr. YIP Soon Nam, SN, aged 63, Executive Vice President – Operations, Corporate, joined the Group in 2014. Mr. Yip has over 30 years of experience in the apparel industry in Asia Pacific Region. Prior to joining the Group, he worked in TAL Group and Seagate Technology in senior management positions. Mr. Yip holds a Bachelor Degree (Hons) in Commerce & Administration from Victoria University of Wellington, New Zealand. He is also a chartered accountant and a chartered company secretary.

The Board of Directors (the "Board") of Tristate Holdings Limited (the "Company") presents its report together with the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2015.

Principal Activities and Analysis of Operations

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

An analysis of the Group's revenue and results for the year by segment is set out in Note 4 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit and loss on page 30.

No interim dividend was paid for the six months ended 30 June 2015 (2014: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK$0.06 per share, totalling HK$16,271,000).

Business Review

The business review of the Group for the year ended 31 December 2015 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 11 of this Annual Report.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2015 is set out on page 3.

Property, Plant and Equipment

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

Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2015 are set out in Note 43 to the consolidated financial statements.

Associates

Particulars of the Group's interests in an associate are set out in Note 21 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in Note 33 to the consolidated financial statements. Shares were issued during the year on exercise of share options. Details about the issue of shares are also set out in Note 33 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Notes 34 and 40(b) to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2015, the reserves of the Company amounted to HK$447,053,000 (2014: HK$446,064,000) and retained earnings amounted to HK$341,846,000 (2014: HK$321,081,000); of which HK$772,866,000 (2014: HK$752,101,000) were available for distribution to equity shareholders of the Company as calculated in accordance with the Bermuda Companies Act 1981.

Share Options

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

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

Purpose	:	To attract and motivate high quality employees and officers of the members of the Group, to provide the participants who have been granted options under the 2007 Share Option Scheme to subscribe for shares of the Company with the opportunity to acquire proprietary interests in the Company, to encourage participants to work towards achieving certain performance targets in order to enhance the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and to retain participants who achieve such performance targets.
Participants	:	The employees and officers of any member (from time to time) of the Group including, without limitation, directors, senior vice presidents, factory general managers, vice presidents and other full-time employees of any member of the Group as determined by the Board from time to time.
Total number of shares available for issue and the percentage of the issued share capital that it represents as at the date of this report	:	26,873,525 shares representing 9.89% of the issued share capital of the Company as at the date of this report.
Maximum entitlement of each participant	:	Not exceeding 1% of the shares of the Company in issue in any 12 months period.

Period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Board at the time of grant. This period must expire no later than ten years from the relevant date of grant.
Minimum period for which an option must be held before it can be exercised	:	At the time of grant of the options, the Board may specify any minimum period(s) for which an option must be held before it can be exercised. The 2007 Share Option Scheme does not contain any such minimum period.
Amount payable on acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	:	HK$1.00 (or its equivalent), to be paid within ten business days from the date on which the letter containing the offer is issued to that participant.
Basis of determining the exercise price	:	The subscription price for the shares which are the subject of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be determined by the Board at the time the option is offered to the participant.
Remaining life of the 2007 Share Option Scheme	:	No options may be granted under the 2007 Share Option Scheme on or after the date of the tenth anniversary of the adoption of the 2007 Share Option Scheme.

Movement in the share options granted under the 2007 Share Option Scheme during the year and outstanding as at 31 December 2015 were as follows:

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

Date of grant	Participant	Number of share options At 01/01/2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31/12/2015	Exercise price per share	Exercisable period
03/06/2013	Employees (in aggregate)	127,000	–	–	(23,000)	**104,000**	HK$3.92	03/06/2013 – 02/06/2018
		127,000	–	–	(23,000)	**104,000**	HK$3.92	03/06/2014 – 02/06/2018
		127,000	–	–	(23,000)	**104,000**	HK$3.92	03/06/2015 – 02/06/2018
		127,000	–	–	(23,000)	**104,000**	HK$3.92	03/06/2016 – 02/06/2018
09/06/2014	Employees (in aggregate)	144,000	–	–	(38,000)	**106,000**	HK$3.10	09/06/2014 – 08/06/2019
		144,000	–	–	(38,000)	**106,000**	HK$3.10	09/06/2015 – 08/06/2019
		144,000	–	–	(38,000)	**106,000**	HK$3.10	09/06/2016 – 08/06/2019
		144,000	–	–	(38,000)	**106,000**	HK$3.10	09/06/2017 – 08/06/2019
08/06/2015 *(Notes 2 & 3)*	Employees (in aggregate)	–	135,000	–	–	**135,000**	HK$2.97	08/06/2015 – 07/06/2020
		–	135,000	–	–	**135,000**	HK$2.97	08/06/2016 – 07/06/2020
		–	135,000	–	–	**135,000**	HK$2.97	08/06/2017 – 07/06/2020
		–	135,000	–	–	**135,000**	HK$2.97	08/06/2018 – 07/06/2020
	Total	2,240,000	540,000	(416,000)	(244,000)	**2,120,000**		

Notes:

1. The above options vest in four equal tranches over a period of three years from the relevant date of grant.
2. The Company received a total consideration of HK$3.00 from the grantees for the options granted during the year.
3. The closing price of the shares of the Company on 5 June 2015, i.e. the business day immediately before the date on which the options were granted during the year, as quoted on the Stock Exchange, was HK$2.97.
4. No options had been cancelled during the year.
5. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.91.

Other details of the share options granted under the 2007 Share Option Scheme are set out in Note 35 to the consolidated financial statements.

Bank Borrowings

Details of the bank borrowings of the Group are set out in Note 29 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$171,000 (2014: HK$133,000).

Directors

The directors of the Company (the "Directors") who held office during the year or during the period beginning with the end of the year and ending on the date of this report are:

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

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

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

In accordance with Bye-Laws 85 and 86 of the Company's Bye-Laws, Ms. MAK WANG Wing Yee, Winnie and Mr. James Christopher KRALIK will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company to be held on Monday, 6 June 2016 (the "2016 AGM").

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

Biographical Details of Directors and Senior Management

Brief biographical details of the Directors and the Senior Management of the Group as at the date of this report are set out on pages 20 and 21.

Directors' Interests in Securities

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules, were as follows:

Interests in shares of the Company

		Number of shares held			
Name of Director	Long/short position	Through spouse or minor children	Through controlled corporation(s)	Total	Approximate percentage of issued share capital
Mr. WANG Kin Chung, Peter	Long position	3,212,000 *(Note 1)*	182,442,000 *(Note 2)*	185,654,000	68.35%

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

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

Notes:

1. 3,212,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.
2. 182,442,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly owned by Mr. WANG Kin Chung, Peter.
3. 2,500 shares in Hua Thai were held by the late Mr. WANG Seng Liang, the spouse of Ms. WANG KOO Yik Chun.

Save as disclosed above, as at 31 December 2015, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangement to Acquire Shares or Debentures

Save as disclosed in the "Share Options" section in this report and in Note 35 to the consolidated financial statements, at no time during the year or at the end of the year was the Company, its subsidiaries, its holding company or the subsidiaries of its holding company, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-Linked Agreements

Save as disclosed in the "Share Options" section in this report and in Note 35 to the consolidated financial statements, at no time during the year or at the end of the year was the Company a party to any equity-linked agreements.

Directors' Service Contracts

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

Interests of Directors and Controlling Shareholders in Transactions, Arrangements or Contracts of Significance

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

Directors' Interests in Competing Businesses

During the year ended 31 December 2015, none of the Directors had any interest in business apart from the Group's businesses which competed, or was likely to compete, either directly or indirectly, with the Group's businesses under Rule 8.10 of the Listing Rules.

Substantial Shareholders

As at 31 December 2015, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

		Number of shares held			
Name of shareholder	**Long/short position**	**Directly beneficially owned**	**Through spouse or minor children**	**Total**	**Approximate percentage of issued share capital**
Ms. Daisy TING	Long position	3,212,000	182,442,000 *(Note)*	185,654,000	68.35%
Silver Tree Holdings Inc.	Long position	182,442,000 *(Note)*	–	182,442,000	67.17%

Note:

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

Save as disclosed above, as at 31 December 2015, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Emolument Policy

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

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

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

Details of the emoluments of the Directors for the year ended 31 December 2015 are set out in Note 15 to the consolidated financial statements.

Permitted Indemnity Provision

Pursuant to Bye-Law 145 of the Company's Bye-Laws, the Directors shall be indemnified out of the assets of the Company from liabilities which they may incur by reason of the execution of their duties, unless such indemnification provision is avoided by any provisions of the applicable laws of Bermuda.

The Company has arranged directors' and officers' liability insurance during the year.

Retirement Benefit Schemes

Details of the retirement benefit schemes of the Group are set out in Note 30 to the consolidated financial statements.

Management Contract

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

Major Customers and Suppliers

The percentage of revenue from sales of goods attributable to the Group's largest customer and the five largest customers combined were 15% and 49%, respectively.

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

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

Continuing Connected Transactions

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

On 24 February 2015, a new tenancy agreement (the "New Tenancy Agreement") was entered into between Gold Flower Limited ("Gold Flower"), a wholly-owned subsidiary of the Company, as tenant, and TDB, as landlord, for the leasing of the premises at Ground Floor, 2nd to 11th Floors, and a portion of 1st Floor, Tak Dah Industrial Building, 66–72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the "Expanded Premises") for a term of two years from 1 April 2015 to 31 March 2017.

On 30 April 2015, Gold Flower and TDB entered into a supplemental tenancy agreement (the "Supplemental Tenancy Agreement") whereby the parties agreed to reduce the rented space of the Expanded Premises and the monthly rent was reduced proportionately with effect from 1 May 2015 with all other terms and conditions of the New Tenancy Agreement remain unchanged.

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

Details of the Previous Tenancy Agreement were as follows:

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

Details of the New Tenancy Agreement (as amended by the Supplemental Tenancy Agreement) were as follows:

Term	:	Two years from 1 April 2015 to 31 March 2017
Monthly rent	:	HK$717,000 for the period from 1 April 2015 to 30 April 2015 (pursuant to the New Tenancy Agreement) HK$693,000 for the period from 1 May 2015 to 31 March 2017 (pursuant to the Supplemental Tenancy Agreement) (excluding management fees, government rates and government rent)
Use of the Expanded Premises	:	As factory, storage and ancillary office by the Company and certain of its subsidiaries

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

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

The Annual Cap paid or payable by Gold Flower under the New Tenancy Agreement (as amended by the Supplemental Tenancy Agreement) for each of the three financial years ending 31 December 2017 was as follows:

Term	Annual Cap HK$
1 April 2015 to 31 December 2015	6,261,000
1 January 2016 to 31 December 2016	8,316,000
1 January 2017 to 31 March 2017	2,079,000

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

Further details of the Continuing Connected Transactions were set out in the announcements of the Company dated 17 January 2013 and 24 February 2015 respectively.

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

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

(ii) on normal commercial terms; and

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

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the auditor's findings and conclusion in respect of the Continuing Connected Transactions disclosed on pages 27 and 28 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions

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

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

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

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

Pre-Emptive Rights

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

Purchase, Sale or Redemption of Shares

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

Public Float

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

Corporate Governance Code

For the year ended 31 December 2015, the Company has complied with all the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the deviation from Code Provisions A.2.1, A.5 and A.6.7.

Considered reasons for the deviation from Code Provisions A.2.1, A.5 and A.6.7 as well as further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 19.

Changes in Directors' Biographical Details

Changes in Directors' biographical details since the date of the Company's interim report for the six months ended 30 June 2015 issued in September 2015 are set out below:

Mr. Peter TAN

Cessation of appointment

- Chief executive officer of Knowledge Universe Pte Ltd

New appointment

- Chief executive officer of Stone Canyon Pte Ltd

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Auditor

At the conclusion of the annual general meeting of the Company held on 8 June 2015, PricewaterhouseCoopers retired as auditor of the Company upon expiration of its term of office. KPMG was then appointed as auditor of the Company.

The consolidated financial statements have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 21 March 2016

Independent Auditor's Report to the Shareholders of Tristate Holdings Limited

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tristate Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 30 to 70, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This 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.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 March 2016

Consolidated Statement of Profit and Loss

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	4	**2,515,738**	3,580,029
Cost of sales		**(1,934,316)**	(2,488,627)
Gross profit		**581,422**	1,091,402
Other income and other gains	5	**188,021**	10,039
Selling and distribution expenses		**(227,265)**	(381,579)
General and administrative expenses		**(541,363)**	(622,659)
Net gain on disposal of a subsidiary	6	**–**	137,272
Net gain on disposal of freehold land and building	7	**–**	30,172
Impairment of goodwill	19	**–**	(20,893)
Restructuring costs	6	**(15,675)**	(9,270)
(Loss)/profit from operations	8	**(14,860)**	234,484
Finance income	9	**13,953**	14,741
Finance costs	9	**(8,510)**	(12,686)
(Loss)/profit before tax		**(9,417)**	236,539
Income tax expense	10	**(36,274)**	(88,241)
(Loss)/profit for the year		**(45,691)**	148,298
Attributable to:			
Equity shareholders of the Company	11	**(45,669)**	148,277
Non-controlling interests		**(22)**	21
(Loss)/profit for the year		**(45,691)**	148,298
(Loss)/earnings per share attributable to equity shareholders of the Company:			
Basic	13	**HK$(0.17)**	HK$0.55
Diluted	13	**HK$(0.17)**	HK$0.55

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year	**(45,691)**	148,298
Other comprehensive income, net of nil tax unless specified:		
Items that may be reclassified subsequently to profit or loss		
Fair value losses on cash flow hedges		
Losses arising during the year	**(37,253)**	(36,651)
Transferred to and included in the following line items in the consolidated statement of profit and loss:		
Cost of sales	**4,185**	391
General and administrative expenses	**3,265**	7,576
Exchange difference on translation of financial statements of overseas subsidiaries		
Losses arising during the year	**(80,634)**	(8,903)
Reclassification adjustment for translation reserve transferred to consolidated statement of profit and loss:		
Upon disposal of a subsidiary	**–**	3,742
Upon liquidation of a subsidiary	**838**	–
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans and long service payment liabilities	**(1,429)**	(3,878)
Income tax effect	**720**	872
Other comprehensive income, net of tax	**(110,308)**	(36,851)
Total comprehensive income for the year	**(155,999)**	111,447
Attributable to:		
Equity shareholders of the Company	**(155,977)**	111,426
Non-controlling interests	**(22)**	21
	(155,999)	111,447

The notes on page 34 to 70 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
Non-Current Assets			
Property, plant and equipment	17	**402,893**	478,432
Leasehold land and land use rights	18	**143,356**	161,486
Intangible assets	19	**185,822**	94,528
Other long-term assets	20	**20,629**	24,240
Prepayments and other receivables	25	**30,452**	–
Deferred tax assets	32	**29,874**	33,777
Defined benefit plan assets	30	**8,043**	7,080
Forward foreign exchange contracts	24	**–**	3,389
Investment in an associate	21	**–**	–
		821,069	802,932
Current Assets			
Inventories	22	**273,804**	580,122
Accounts receivable and bills receivable	23	**314,590**	456,164
Forward foreign exchange contracts	24	**–**	794
Prepayments and other receivables	25	**146,631**	280,836
Cash and bank balances	26	**666,134**	723,444
		1,401,159	2,041,360
Current Liabilities			
Accounts payable and bills payable	27	**92,830**	174,832
Accruals and other payables	28	**276,932**	500,745
Forward foreign exchange contracts	24	**13,917**	5,370
Current tax liabilities		**34,505**	50,943
Bank borrowings	29	**325,294**	443,800
		743,478	1,175,690
Net Current Assets		**657,681**	865,670
Total Assets Less Current Liabilities		**1,478,750**	1,668,602

	Note	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
Non-Current Liabilities			
Retirement benefits and other post retirement obligations	30	**21,416**	19,998
License fees payable	31	**–**	24,380
Deferred tax liabilities	32	**45,942**	58,780
Forward foreign exchange contracts	24	**29,546**	12,473
		96,904	115,631
Net Assets		**1,381,846**	1,552,971
Capital and Reserves			
Share capital	33	**27,161**	27,119
Reserves	34	**1,354,371**	1,525,516
Total equity attributable to equity shareholders of the Company		**1,381,532**	1,552,635
Non-controlling interests		**314**	336
Total Equity		**1,381,846**	1,552,971

Approved and authorised for issue by the Board of Directors on 21 March 2016.

WANG Kin Chung, Peter
Director

MAK WANG Wing Yee, Winnie
Director

The notes on pages 34 to 70 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Total** *HK$'000*	**Non–controlling interests** *HK$'000*	**Total equity** *HK$'000*
As at 1 January 2015	**27,119**	**1,525,516**	**1,552,635**	**336**	**1,552,971**
Loss for the year	**–**	**(45,669)**	**(45,669)**	**(22)**	**(45,691)**
Other comprehensive income, net of tax	**–**	**(110,308)**	**(110,308)**	**–**	**(110,308)**
Total comprehensive income	**–**	**(155,977)**	**(155,977)**	**(22)**	**(155,999)**
Share option scheme – value of employee services	**–**	**354**	**354**	**–**	**354**
Issue of shares pursuant to exercise of share options	**42**	**749**	**791**	**–**	**791**
Dividends paid to equity shareholders of the Company in respect of the previous financial year	**–**	**(16,271)**	**(16,271)**	**–**	**(16,271)**
As at 31 December 2015	**27,161**	**1,354,371**	**1,381,532**	**314**	**1,381,846**

	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	Reserves *HK$'000*	Total *HK$'000*	Non–controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 January 2014	27,078	1,429,389	1,456,467	315	1,456,782
Profit for the year	–	148,277	148,277	21	148,298
Other comprehensive income, net of tax	–	(36,851)	(36,851)	–	(36,851)
Total comprehensive income	–	111,426	111,426	21	111,447
Share option scheme – value of employee services	–	392	392	–	392
Issue of shares pursuant to exercise of share options	41	556	597	–	597
Dividends paid to equity shareholders of the Company in respect of the previous financial year	–	(16,247)	(16,247)	–	(16,247)
As at 31 December 2014	27,119	1,525,516	1,552,635	336	1,552,971

The notes on pages 34 to 70 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Cash generated from operations	39(a)	**196,433**	86,890
Income tax paid		**(61,609)**	(66,317)
Income tax refunded		**10**	231
Net cash generated from operating activities		**134,834**	20,804
Investing activities			
Interest received		**13,953**	14,741
Payment for the purchase of property, plant and equipment		**(22,116)**	(54,170)
Payment for the purchase of trademark		**(165,950)**	–
Proceeds from disposals of property, plant and equipment		**1,271**	35,554
Cash and cash equivalents disposed upon disposal of a subsidiary		**–**	(339)
Proceeds received from disposal of a subsidiary in 2014	39(b)	**157,620**	–
Increase in short-term bank deposits, with maturities over 3 months		**(2,095)**	(204,334)
Decrease in bank structured deposits		**36,038**	3,403
Net cash generated from/(used in) investing activities		**18,721**	(205,145)
Financing activities			
Interest paid		**(7,024)**	(8,152)
Dividends paid to equity shareholders of the Company	12	**(16,271)**	(16,247)
New bank borrowings		**1,612,135**	2,345,684
Repayment of bank borrowings		**(1,730,641)**	(2,305,637)
Proceeds from shares issued upon exercise of share options		**791**	597
Net cash (used in)/generated from financing activities		**(141,010)**	16,245

	Note	2015 HK$'000	2014 HK$'000
Net increase/(decrease) in cash and cash equivalents		**12,545**	(168,096)
Cash and cash equivalents at beginning of the year	26	**453,159**	623,573
Effect on foreign exchange rate changes		**(35,912)**	(2,318)
Cash and cash equivalents at end of the year	26	**429,792**	453,159

The notes on pages 34 to 70 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. General Information

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

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

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

As stated in the Group's 2014 annual financial statements, the early termination of the license granted to the Group for the distribution of Jack Wolfskin products in the People's Republic of China (the "PRC") took effect on 27 March 2015. Upon the license termination, the Group ceased to distribute Jack Wolfskin products in the PRC. The Jack Wolfskin PRC distribution business has been a steady income contributor to the Group, with revenue totalling HK$204 million in 2015 up to the termination date (full year 2014: HK$972 million). Shanghai Tristate Enterprises Co., Ltd. ("Shanghai Tristate"), a wholly-owned subsidiary of the Group, has started to provide consultancy services to Jack Wolfskin Trading (Shanghai) Co., Ltd. ("JW PRC Co") from the termination date to 31 December 2017, to advise and assist JW PRC Co on the development, procurement, sale and marketing of the Jack Wolfskin products in the PRC, as well as in relation to the management of the Jack Wolfskin PRC business.

Shanghai Tristate shall receive consultancy fee amounting to substantially the entire pre-tax earnings of JW PRC Co for the period from the termination date to 31 December 2015 and certain agreed percentages of the gross profits of JW PRC Co in 2016 and 2017. In addition, Shanghai Tristate receives monthly fees for the provision of certain transitional services to JW PRC Co to facilitate the transition of the Jack Wolfskin PRC business. Consultancy and transitional services income from JW PRC Co are included in other income and other gains (see Note 5). Following the license termination, the Group is no longer required to finance the working capital requirement for the Jack Wolfskin PRC business. As a result, the Group's working capital items as included under current assets and current liabilities were reduced as compared with the previous year.

To increase brand portfolios, on 11 November 2015, Tristate Trinovation IP S.à r.l., a Luxembourg incorporated subsidiary of the Group, acquired the trademark of C.P. Company, a premium men's brand with Italian heritage. The Group will start to distribute C.P. Company products from Fall/Winter 2016.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company (the "Board") on 21 March 2016.

2. Basis of Preparation and Summary of Significant Accounting Policies

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

(a) Statement of compliance and basis of preparation of the financial statements

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

These consolidated financial statements for the year ended 31 December 2015 comprise the Group and the Group's interest in an associate.

The financial statements have been prepared under the historical cost basis except that the derivative financial instruments are stated at their fair values (see Note 2(l)).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3. Actual results may differ from these estimates.

The Group has adopted the following amendments to HKFRS that are effective for the first time for the Group's financial year beginning 1 January 2015 and are relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

HKAS 19 (Amendment), "Employee Benefits: Defined benefit plans: Employee contributions". The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the defined benefit plans operated/participated by the Group are wholly funded by contributions from the Group and do not involve contribution from employees or third parties.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle. These two cycles of annual improvements contain amendments to other standards. Among them, HKAS 24, "Related party disclosures" has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(a) Statement of compliance and basis of preparation of the financial statements (Continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intra-group transactions that are recognised in assets are also eliminated. The financial information of subsidiaries has been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit and loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

(ii) Changes in ownership interests in subsidiaries

Changes in the Group's interests in a subsidiary that do not result in loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the changes in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

(iii) Separate financial statements

Investments in subsidiaries are accounted for by the Company at cost less impairment losses (see Note 2(t)). Cost also includes direct attributable costs of investment.

(c) Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is adjusted to recognise the investor's share of the profit or loss of the investee after the date of acquisition and any impairment loss relating to the investment (see Note 2(t)). The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

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

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit and loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(iii) Group companies

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

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

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

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income (see Note 2(l)(ii)). When a foreign operation is disposed of or partially disposed of, exchange differences accumulated in other comprehensive income in respect of that operation are recognised in the consolidated statement of profit and loss as part of the gain or loss on sale.

Goodwill acquired and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Interests in freehold land are stated at historical cost less impairment loss (see Note 2(t)), if any and not depreciated. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (see Note 2(t)), if any. Historical costs include expenditures that are directly attributable to the acquisition of the items.

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction-in-progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 2(t)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction-in-progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete. No depreciation is provided in respect of construction-in-progress until it is substantially completed and ready for its intended use.

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

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(f) Leasehold land interests and land use rights

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

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

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

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of (i) aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the net fair value of the identified net assets and liabilities acquired.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated statement of profit and loss as a gain on a bargain purchase.

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

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

(ii) License rights and service right/License fees payable

License rights on branded products and service right are stated at cost less accumulated amortisation and accumulated impairment losses (see Note 2(u)), if any. License rights and service right are initially measured as the fair value of the consideration given for the recognition of the license rights and service right at the time of their inception. The consideration given is determined based on the capitalisation of the minimum license fee payments in accordance with the license agreements. License rights and service right with finite useful lives are amortised and charged to the consolidated statement of profit and loss over the license period on the basis that reflects the pattern in which the license's future economic benefits are expected to be consumed by the Group. Both the period and method of amortisaton are reviewed annually. License rights are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of the license right is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of license with finite useful lives as set out above.

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

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

(iii) Trademarks

Trademarks that are acquired by the Group are stated at cost less impairment losses (see Note 2(t)). Trademarks are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives. Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives with the period and method of amortisation reviewed annually.

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(h) Inventories

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Accounts receivable and bills receivable

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

Accounts receivable and bills receivable are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(u)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(k) Financial assets

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

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

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

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, unless maturity is greater than 12 months after the end of the reporting period, in which case they are classified as non-current assets. Loans and receivables comprise accounts and bills receivable, deposits and other receivables, and cash and bank balances in the consolidated statement of financial position.

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

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(l) Derivative financial instruments and hedging activities

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

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

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

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

(i) Cash flow hedge

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

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

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit and loss within other income and other gains/(losses).

(ii) Net investment hedge in foreign operations

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

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

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

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

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

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

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

(m) Accounts payable and bills payable

Accounts payable and bills payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and bills payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Accounts payable and bills payable are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When time value of money is material, provisions are stated at present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefit is remote.

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(o) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Retirement benefits

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

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

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

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

Past-service costs are recognised immediately in consolidated statement of profit and loss.

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

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

(iv) Share-based compensation

The Group operates a share-based compensation plan, under which the entity receives services from employees as consideration for share options of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions and excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and years of service of employees). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit and loss with a corresponding adjustment to equity.

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

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

(v) Termination benefits

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

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(p) Current and deferred taxes

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

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

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the end of each reporting period and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

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

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

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

(q) Interest-bearing borrowings and borrowing costs

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost; any difference between the amount initially recognised and the redemption value is recognised in the consolidated statement of profit and loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

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

Borrowing costs are recognised in the consolidated statement of profit and loss in the period in which they are incurred.

(r) Revenue recognition

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

The Group recognises revenue when the amount of revenue and costs, if applicable, can be reliably measured, when it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods are recognised when goods are shipped on board or delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

Commission income is recognised when services are rendered.

Interest income is recognised as it accrues using the effective interest method.

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in the profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(s) Operating lease charge

Leases which do not transfer substantially all the risks and rewards of ownership of assets to the Group are accounted for as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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

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

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

(u) Impairment of financial assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit and loss.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit and loss.

(v) Dividend distribution

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

(w) Segment reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Share capital

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

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(y) Financial guarantees

A financial guarantee (a type of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at the end of each reporting period by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than the amount of the present legal or constructive obligation, the entire difference is recognised in the consolidated statement of profit and loss immediately.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities 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).

   (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. Critical Accounting Estimates and Judgement

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

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

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

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(b) Estimated impairment of non-financial assets, including goodwill and trademarks

The Group assesses whether non-financial assets including goodwill and trademarks have suffered any impairment in accordance with the accounting policy stated in Note 2(t). The recoverable amounts of non-financial assets including goodwill and trademarks have been determined based on value in use calculations. These calculations require the use of judgement and estimates, in particular of future revenues or cash flows. Management has performed impairment assessment on the property, plant and equipment, goodwill and trademarks and concluded that no impairment is necessary to be made as at 31 December 2015. Management believes that any reasonable possible deviation from any of these assumptions would not cause the aggregate carrying amounts of CGUs to exceed their recoverable amounts.

3. Critical Accounting Estimates and Judgement (Continued)

(c) Current and deferred taxes

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

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets in the period in which such estimates have been changed.

(d) Estimated impairment of receivables

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

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

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

(f) Retirement and long service benefits

The determination of the Group's liabilities under defined benefit plans and long service payment liabilities depends on a number of factors relating to an actuarial valuation using a number of assumptions. The key assumptions are disclosed in Notes 30(b) and (c). Any changes in these assumptions will impact the carrying amount of the benefit obligations in the period in which such assumptions have been changed.

4. Revenue and Segment Information

(a) Revenue by nature

	2015 ***HK$'000***	2014 *HK$'000*
Sales of goods	**2,515,738**	3,579,643
Commission income	**–**	386
	2,515,738	3,580,029

(b) Segment information

Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision makers (the Chief Executive Officer and Senior Management collectively) in order to assess performance and allocate resources. The Group manages its business by business units, which are organised by business lines and geography. The Group identified two reportable segments: (i) garment manufacturing, and (ii) branded product distribution, retail and trading. The chief operating decision makers assess the performance of the reportable segments and allocate resources between segments based on the measure of profit or loss generated. This measurement basis is equivalent to (loss)/profit after tax for the year of that reportable segment.

4. Revenue and Segment Information (Continued)

(b) Segment information (Continued)

Segment assets include all tangible, intangible assets and current assets employed by the segments. Segment liabilities include all current liabilities and non-current liabilities managed directly by the segments. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. The segment information is as follows:

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		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	**1,973,005**	2,134,318	**588,202**	1,480,731	**–**	–	**2,561,207**	3,615,049
Less: Inter-segment revenue	**(45,469)**	(35,020)	**–**	–	**–**	–	**(45,469)**	(35,020)
Revenue	**1,927,536**	2,099,298	**588,202**	1,480,731	**–**	–	**2,515,738**	3,580,029
Reportable segment profit/(loss) before tax	**4,278**	(39,665)	**21,275**	151,715	**(19,295)**	(12,792)	**6,258**	99,258
Income tax expense	**(7,874)**	(7,428)	**(32,672)**	(62,200)	**4,272**	3,463	**(36,274)**	(66,165)
Reportable segment (loss)/profit for the year	**(3,596)**	(47,093)	**(11,397)**	89,515	**(15,023)**	(9,329)	**(30,016)**	33,093
Net gain on disposal of a subsidiary	**–**	–	**–**	–	**–**	137,272	**–**	137,272
Income tax on disposal of a subsidiary	**–**	–	**–**	–	**–**	(14,180)	**–**	(14,180)
Net gain on disposal of freehold land and building	**–**	–	**–**	–	**–**	30,172	**–**	30,172
Income taxes resulted from disposal of freehold land and building	**–**	–	**–**	–	**–**	(7,896)	**–**	(7,896)
Impairment of goodwill	**–**	(20,893)	**–**	–	**–**	–	**–**	(20,893)
Restructuring costs	**(15,675)**	(9,270)	**–**	–	**–**	–	**(15,675)**	(9,270)
(Loss)/profit for the year							**(45,691)**	148,298

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated *(Note (1))*		Total	
	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000
Segment assets	**850,792**	976,513	**511,931**	759,882	**859,505**	1,107,897	**2,222,228**	2,844,292
Segment liabilities	**293,063**	353,593	**222,025**	476,928	**325,294**	460,800	**840,382**	1,291,321
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Finance income	**–**	–	**–**	–	**13,953**	14,741	**13,953**	14,741
Finance costs	**–**	–	**(1,486)**	(4,534)	**(7,024)**	(8,152)	**(8,510)**	(12,686)
Amortisation of leasehold land and land use rights	**(248)**	(428)	**–**	–	**(2,951)**	(3,742)	**(3,199)**	(4,170)
Amortisation of license rights and service right	**–**	–	**(74,656)**	(62,033)	**–**	–	**(74,656)**	(62,033)
Depreciation on property, plant and equipment	**(39,788)**	(38,884)	**(10,067)**	(9,454)	**(27,834)**	(30,195)	**(77,689)**	(78,533)
Reversal of/(provision for) impairment of receivables, net	**666**	(265)	**–**	–	**–**	–	**666**	(265)
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(14,058)**	(10,590)	**(15,082)**	19,262	**–**	–	**(29,140)**	8,672
Additions to non-current assets	**16,216**	33,710	**169,094**	14,341	**2,756**	6,119	**188,066**	54,170

4. Revenue and Segment Information (Continued)

(b) Segment information (Continued)

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

	PRC		US		UK		Other countries		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Revenue	**929,759**	1,834,822	**839,119**	947,793	**587,390**	591,714	**159,470**	205,700	**2,515,738**	3,580,029

Included in revenue derived from the PRC was HK$389,411,000 (2014: HK$392,361,000) which was generated in Hong Kong.

For the year ended 31 December 2015, revenue from two customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and they represented approximately 15% and 13% of the total revenue respectively. For the year ended 31 December 2014, revenues from two customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and they represented approximately 11% and 10% of the total revenue respectively. Details of concentrations of credit risk arising from customers are set out in Note 36.1(b).

	PRC		Luxembourg		Thailand		Other locations		Total	
	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000
Non-current assets *(Note (2))*	**504,198**	636,610	**165,950**	–	**59,082**	69,609	**53,922**	55,856	**783,152**	762,075

Included in non-current assets located in the PRC was HK$42,785,000 (2014: HK$127,205,000) which was related to assets located in Hong Kong.

Notes:

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

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

5. Other Income and Other Gains

	2015 HK$'000	2014 HK$'000
Net (loss)/gain on disposals of property, plant and equipment	**(154)**	2,096
Consultancy and transitional services fee income from JW PRC Co *(Note (i))*	**178,856**	–
Government subsidies *(Note (ii))*	**3,310**	3,490
Sundry income	**6,009**	4,453
	188,021	10,039

Notes:

(i) Shanghai Tristate, a wholly-owned subsidiary of the Group, provided consultancy and transitional services to JW PRC Co after the early termination of the distribution license for Jack Wolfskin products in the PRC starting from 27 March 2015 as set out in Note 1.

(ii) The Group received HK$3,310,000 (2014: HK$3,490,000) government subsidies from the PRC government during the year ended 31 December 2015. There were no unfulfilled conditions and other contingencies attached to the receipts of these government subsidies. There is no assurance that the Group will continue to receive such government subsidies in the future.

6. Net Gain on Disposal of a Subsidiary/ Restructuring Costs

Restructuring costs in the year ended 31 December 2015 represented labour rationalisation costs of HK$15,675,000 incurred by Hefei Tristate Garment Manufacturing Company Limited during its production upgrade for producing outerwear products.

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

7. Net Gain on Disposal of Freehold Land and Building

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

8. (Loss)/Profit from Operations

(Loss)/profit from operations is stated after charging/(crediting):

	2015 HK$'000	2014 HK$'000
Amortisation of leasehold land and land use rights	**3,199**	4,170
Amortisation of license rights and service right	**74,656**	62,033
Depreciation on property, plant and equipment	**77,689**	78,533
Impairment of goodwill	**–**	20,893
(Reversal of)/provision for impairment of receivables, net	**(666)**	265
Cost of inventories	**1,963,456**	2,479,955
Write-down/(reversal of write-down) of inventories to net realisable value, net	**29,140**	(8,672)
Employee benefit expenses *(Note 14)*	**837,105**	906,804
Less: Amounts included in restructuring costs	**(15,675)**	–
	821,430	906,804
Net loss/(gain) on disposals of property, plant and equipment	**154**	(2,096)
Net gain on disposal of freehold land and building	**–**	(30,172)
Net gain on disposal of a subsidiary	**–**	(137,272)
Net exchange gain	**(1,585)**	(1,203)
Minimum operating lease payments in respect of land and buildings	**73,233**	72,313
Contingent operating lease payments in respect of land and buildings	**9,722**	10,559
Auditors' remuneration	**3,332**	5,291

9. Finance Income/Finance Costs

	2015 HK$'000	2014 HK$'000
Finance income		
Interest income from bank deposits	**13,953**	14,741
Finance costs		
Interest on bank borrowings	**7,024**	8,152
Imputed interest on license fees payable	**1,486**	4,534
	8,510	12,686

10. Income Tax Expense

	2015 HK$'000	2014 HK$'000
Current income tax		
Hong Kong profits tax	**1,024**	1,437
Non-Hong Kong tax	**45,479**	72,059
(Over-provisions)/under-provisions of prior years	**(2,194)**	50
	44,309	73,546
Deferred tax	**(8,035)**	14,695
	36,274	88,241

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Income taxes on non-Hong Kong profits have been calculated on the estimated assessable profits for the year at the tax rates prevailing in the countries/places in which the Group operates.

Subsidiaries established and operated in the Mainland China are subject to the Mainland China Enterprise Income Tax at the rate of 25% (2014: 25%).

The reconciliation between tax expense and accounting profit at applicable tax rates as follows:

	2015 HK$'000	2014 HK$'000
(Loss)/profit before tax	**(9,417)**	236,539
Notional tax on (loss)/profit before taxation calculated at statutory tax rate of 16.5%	**(1,554)**	39,029
Effect of different tax rates in other jurisdictions	**8,179**	18,939
Withholding tax	**7,447**	17,522
Capital gain tax	**–**	16,285
Tax effect of non-taxable income	**(12,303)**	(49,409)
Tax effect of non-deductible expenses	**12,970**	20,803
Tax effect of previously unrecognised tax losses	**(5,348)**	(2,037)
Reversal of previously unrecognised temporary difference	**3,329**	5,779
Tax effect of tax losses not recognised	**25,748**	21,280
(Over-provisions)/under-provisions of prior years	**(2,194)**	50
Income tax expense	**36,274**	88,241

11. Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$37,036,000 (2014: HK$43,850,000).

12. Dividends

	2015 HK$'000	2014 HK$'000
Interim dividend paid – Nil (2014: Nil) per share	**–**	–
Final dividend proposed – Nil (2014: HK$0.06) per share	**–**	16,271
	–	16,271

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK$0.06 per share, totalling HK$16,271,000). The proposed dividend in 2014 has not been dealt with as dividend payable as at 31 December 2014 and is reflected as an appropriation of retained earnings for the year ended 31 December 2015.

13. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

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

	2015 *HK$'000*	2014 *HK$'000*
(Loss)/profit attributable to equity shareholders of the Company	**(45,669)**	148,277
Weighted average number of ordinary shares in issue	**271,415,669**	270,907,352
Basic (loss)/earnings per share	**HK$(0.17)**	HK$0.55

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

During the year ended 31 December 2015, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Hence, there was no dilutive effect on calculation of the diluted loss per share for the year ended 31 December 2015.

	2015 *HK$'000*	2014 *HK$'000*
(Loss)/profit attributable to equity shareholders of the Company	**(45,669)**	148,277
Weighted average number of ordinary shares in issue	**271,415,669**	270,907,352
Effect of share options	**–**	164,005
Weighted average number of ordinary shares for diluted earnings per share	**271,415,669**	271,071,357
Diluted (loss)/earnings per share	**HK$(0.17)**	HK$0.55

14. Employee Benefit Expenses

	2015 *HK$'000*	2014 *HK$'000*
Directors' emoluments *(Note 15)*	**7,388**	10,067
Wages, salaries, allowances and bonuses	**732,548**	788,710
Welfare and other benefits	**56,966**	67,372
Retirement benefits		
– Defined contribution plans	**38,204**	38,737
– Defined benefit plans *(Note 30(b))*	**542**	561
– Long service payment liabilities *(Note 30(c))*	**1,103**	965
Share-based compensation expense		
– share options granted *(Note 35)*	**354**	392
Total employment expenses	**837,105**	906,804
Less: Amounts included in restructuring costs	**(15,675)**	–
	821,430	906,804

15. Directors' Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are set out below:

Name	**Fees** *HK$'000*	**Salaries and other benefits** *HK$'000*	**Discretionary bonuses** *HK$'000*	**Employer's contribution to retirement benefit schemes** *HK$'000*	**2015 Total** *HK$'000*	2014 Total *HK$'000*
Executive Director:						
Mr. WANG Kin Chung, Peter	**–**	**5,191**	**–**	**143**	**5,334**	8,096
Non-Executive Directors:						
Ms. WANG KOO Yik Chun	**112**	**759**	**300**	**–**	**1,171**	1,157
Ms. MAK WANG Wing Yee, Winnie	**206**	**–**	**–**	**–**	**206**	187
Dr. WANG Shui Chung, Patrick	**132**	**–**	**–**	**–**	**132**	83
Independent Non-Executive Directors:						
Mr. LO Kai Yiu, Anthony	**268**	**–**	**–**	**–**	**268**	244
Mr. James Christopher KRALIK	**165**	**–**	**–**	**–**	**165**	187
Mr. Peter TAN	**112**	**–**	**–**	**–**	**112**	113
	995	**5,950**	**300**	**143**	**7,388**	10,067

16. Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include one (2014: one) director, whose emoluments are disclosed in Note 15. Details of emoluments of the other four (2014: four) individuals are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and other benefits	**8,435**	6,892
Discretionary bonuses	**31,762**	49,659
Employer's contribution to retirement benefit schemes	**143**	94
	40,340	56,645

The emoluments of these four (2014: four) individuals are within the following bands:

	Number of employees 2015	Number of employees 2014
HK$5,000,001 – HK$5,500,000	**1**	–
HK$5,500,001 – HK$6,000,000	**–**	1
HK$10,500,001 – HK$11,000,000	**1**	–
HK$12,000,001 – HK$12,500,000	**1**	–
HK$12,500,001 – HK$13,000,000	**1**	–
HK$15,000,001 – HK$15,500,000	**–**	1
HK$17,000,001 – HK$17,500,000	**–**	1
HK$18,500,001 – HK$19,000,000	**–**	1
	4	4

17. Property, Plant and Equipment

	Freehold land+ HK$'000	Buildings+ HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost:							
As at 1 January 2014	60,960	520,748	312,879	357,079	25,808	1,390	1,278,864
Exchange difference	(287)	(1,992)	(901)	(1,093)	(61)	(2)	(4,336)
Additions	–	–	21,794	25,091	2,007	5,278	54,170
Reclassification	–	–	–	4,500	–	(4,500)	–
Disposal of a subsidiary	–	(34,405)	–	–	–	–	(34,405)
Disposals	(1,806)	(3,000)	(39,884)	(46,362)	(5,136)	–	(96,188)
As at 31 December 2014	58,867	481,351	293,888	339,215	22,618	2,166	1,198,105
As at 1 January 2015	**58,867**	**481,351**	**293,888**	**339,215**	**22,618**	**2,166**	**1,198,105**
Exchange difference	**(5,080)**	**(23,581)**	**(14,765)**	**(15,910)**	**(486)**	**(93)**	**(59,915)**
Additions	**–**	**335**	**9,576**	**10,979**	**1,123**	**103**	**22,116**
Reclassification	**–**	**–**	**–**	**2,013**	**–**	**(2,013)**	**–**
Disposals	**–**	**–**	**(21,984)**	**(8,874)**	**(1,009)**	**–**	**(31,867)**
As at 31 December 2015	**53,787**	**458,105**	**266,715**	**327,423**	**22,246**	**163**	**1,128,439**
Accumulated depreciation:							
As at 1 January 2014	–	237,230	235,727	258,634	21,158	–	752,749
Exchange difference	–	(1,564)	(695)	(917)	(49)	–	(3,225)
Charge for the year	–	26,829	19,721	30,180	1,803	–	78,533
Disposal of a subsidiary	–	(15,482)	–	–	–	–	(15,482)
Written back on disposals	–	(2,341)	(39,714)	(46,141)	(4,706)	–	(92,902)
As at 31 December 2014	–	244,672	215,039	241,756	18,206	–	719,673
As at 1 January 2015	**–**	**244,672**	**215,039**	**241,756**	**18,206**	**–**	**719,673**
Exchange difference	**–**	**(17,225)**	**(11,374)**	**(12,397)**	**(378)**	**–**	**(41,374)**
Charge for the year	**–**	**24,089**	**21,302**	**30,652**	**1,646**	**–**	**77,689**
Written back on disposals	**–**	**–**	**(21,043)**	**(8,409)**	**(990)**	**–**	**(30,442)**
As at 31 December 2015	**–**	**251,536**	**203,924**	**251,602**	**18,484**	**–**	**725,546**
Net book value:							
As at 31 December 2015	**53,787**	**206,569**	**62,791**	**75,821**	**3,762**	**163**	**402,893**
As at 31 December 2014	58,867	236,679	78,849	97,459	4,412	2,166	478,432

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

Depreciation expense of HK$29,634,000 (2014: HK$28,229,000) is included in cost of sales, HK$5,759,000 (2014: HK$5,307,000) is included in selling and distribution expenses and HK$42,296,000 (2014: HK$44,997,000) is included in general and administrative expenses.

18. Leasehold Land and Land Use Rights

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

	2015 HK$'000	2014 HK$'000
Outside Hong Kong		
– Medium-term lease	**143,356**	161,486

	2015 HK$'000	2014 HK$'000
Cost:		
As at 1 January	**183,736**	195,197
Exchange difference	**(16,388)**	(663)
Disposal of a subsidiary	**–**	(10,798)
As at 31 December	**167,348**	183,736
Accumulated amortisation:		
As at 1 January	**22,250**	22,101
Exchange difference	**(1,457)**	(49)
Charge for the year	**3,199**	4,170
Disposal of a subsidiary	**–**	(3,972)
As at 31 December	**23,992**	22,250
Net book value:	**143,356**	161,486

In 2015, no amortisation is included in cost of sales (2014: HK$819,000) and HK$3,199,000 (2014: HK$3,351,000) is included in general and administrative expenses.

19. Intangible Assets

	Goodwill HK$'000	License rights and service right *(Notes (a) and (b))* HK$'000	Trademark HK$'000	Total HK$'000
Cost:				
As at 1 January 2014	22,117	264,788	–	286,905
Exchange differences	(1,224)	–	–	(1,224)
As at 31 December 2014	20,893	264,788	–	285,681
As at 1 January 2015	**20,893**	**264,788**	**–**	**285,681**
Addition through acquisition *(Note (c))*	**–**	**–**	**165,950**	**165,950**
As at 31 December 2015	**20,893**	**264,788**	**165,950**	**451,631**
Accumulated amortisation and impairment:				
As at 1 January 2014	–	108,227	–	108,227
Amortisation	–	62,033	–	62,033
Impairment *(Note (d))*	20,893	–	–	20,893
As at 31 December 2014	20,893	170,260	–	191,153
As at 1 January 2015	**20,893**	**170,260**	**–**	**191,153**
Amortisation	**–**	**74,656**	**–**	**74,656**
As at 31 December 2015	**20,893**	**244,916**	**–**	**265,809**
Net book value:				
As at 31 December 2015	**–**	**19,872**	**165,950**	**185,822**
As at 31 December 2014	–	94,528	–	94,528

Amortisation of HK$32,296,000 (2014: HK$62,033,000) is included in the selling and distribution expenses and HK$42,360,000 (2014: Nil) is included in general and administrative expenses.

Notes:

(a) License rights and service right

License rights represent capitalisation of the minimum contractual obligation payable to licensors of Jack Wolfskin and Nautica products at the time of inception. They are recognised based on discount rates equal to the Group's weighted average borrowing rates of approximately 3.0% to 5.0% per annum at the dates of inception.

Service right represents the contractual right recognised for the provision of consultancy and transitional services to JW PRC Co after the early termination of the Jack Wolfskin license. The service right was inherited from the original license and is amortised over the original remaining term of the license agreement up to 31 December 2015.

(b) Early termination of a license agreement

The early termination of the license granted to the Group for the distribution of Jack Wolfskin products in the PRC took effect on 27 March 2015 as set out in Note 1.

(c) Addition of trademark

In November 2015, the Group acquired the trademark of C.P. Company, a well-established Italian apparel brand at a consideration of HK$160,048,000 (equivalent to EUR19,200,000). Direct costs attributable to the acquisition of HK$5,902,000 were included in the cost of the trademark. The useful life of the trademark is considered as indefinite.

(d) Impairment of goodwill

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

20. Other Long-Term Assets

	2015 HK$'000	2014 HK$'000
Advance to an employee *(Note 38(b)(ii))*	**6,123**	6,831
Long-term rental, utilities and other deposits	**12,406**	15,309
Club debentures	**2,100**	2,100
	20,629	24,240

21. Investment in an Associate

	2015 HK$'000	2014 HK$'000
As at 1 January/31 December	**–**	–

Particulars of the associate, which is an unlisted corporate entity, as at 31 December 2015 and 2014 are as follows:

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

Note:

MAC International Sarl is a private company which is inactive and under liquidation during the years ended 31 December 2015 and 2014. There is no quoted market price available for the shares of MAC International Sarl. There are no contingent liabilities relating to the Group's interest in the associate. The associate does not have a significant impact on the Group's results of operations and financial position in 2015 and 2014.

22. Inventories

	2015 HK$'000	2014 HK$'000
Raw materials	**55,885**	62,825
Work-in-progress	**101,149**	118,838
Finished goods	**101,949**	332,621
Goods in transit	**14,821**	65,838
	273,804	580,122

Net write-down of inventories amounting to HK$29,140,000 (2014: net reversal of write-down of inventories of HK$8,672,000) was included in cost of sales.

Decrease in finished goods is mainly due to transfer of garment goods at cost to JW PRC Co upon early termination of the license for the distribution of Jack Wolfskin products in the PRC during the year ended 31 December 2015.

23. Accounts Receivable and Bills Receivable

As of the end of the reporting period, the aging of accounts receivable and bills receivable based on invoice date is as follows:

	2015 HK$'000	2014 HK$'000
Less than 3 months	**312,877**	450,774
3 months to 6 months	**1,713**	5,390
Over 6 months	**1,031**	2,052
	315,621	458,216
Less: Provision for impairment	**(1,031)**	(2,052)
	314,590	456,164

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

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

As at 31 December 2015, accounts receivable and bills receivable of HK$152,642,000 (2014: HK$166,887,000) were past due but considered not to be impaired. These relate to a number of customers for whom there is no history of default. The aging of these receivables based on invoice date net of provision for impairment is as follows:

	2015 HK$'000	2014 HK$'000
Less than 3 months	**150,929**	161,497
3 months to 6 months	**1,713**	5,390
	152,642	166,887

As at 31 December 2015, accounts receivable and bills receivable over 6 months of HK$1,031,000 (2014: HK$2,052,000) were considered impaired and had been fully provided for.

The risk of accounts receivable and bills receivable that are neither past due nor impaired as at 31 December 2015 becoming impaired is considered low as most of the balances related to customers with no history of default.

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

	2015 HK$'000	2014 HK$'000
At 1 January	**2,052**	1,840
(Reversal of)/provision for impairment	**(666)**	265
Receivables written off during the year as uncollectible	**(355)**	(53)
At 31 December	**1,031**	2,052

The provision for impaired receivables has been included in general and administrative expenses. Provision for impairment in respect of accounts receivable and bills receivable are recorded using an allowance account. The allowance account and the accounts receivable and bills receivable are directly written off when there is no expectation of recovery.

23. Accounts Receivable and Bills Receivable

(Continued)

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

	2015 HK$'000	2014 HK$'000
United States dollars	**263,151**	275,545
Renminbi	**48,149**	178,515
Hong Kong dollars	**3,038**	2,044
Others	**252**	60
	314,590	456,164

24. Forward Foreign Exchange Contracts

	2015 HK$'000	2014 HK$'000
Cash flow hedges *(Note (i))*		
Included in:		
Non-current assets	**–**	3,389
Current assets	**–**	794
	–	4,183
Included in:		
Non-current liabilities	**29,546**	12,473
Current liabilities	**13,917**	5,370
	43,463	17,843

The maximum exposure to credit risk is the fair value as stated above of the forward foreign exchange contracts under current and non-current assets in the consolidated statement of financial position. The outstanding forward foreign exchange contracts with maturity dates within one year are classified as current assets and liabilities, while those with maturity dates more than one year are classified as non-current assets and liabilities. The financial risk management on fair value estimation is set out in Note 36.3.

Notes:

(i) Forward foreign exchange contracts – cash flow hedges

As at 31 December 2015, the notional principal amount of the outstanding forward foreign exchange contracts under cash flow hedges was HK$767,240,000 (2014: HK$822,104,000). The hedges related to PRC subsidiaries' highly probable forecasted processing income denominated in foreign currencies, of which notional principal of HK$468,869,000 (2014: HK$480,853,000) relates to transactions expected to occur more than 12 months and notional principal of HK$298,371,000 (2014: HK$341,251,000) relates to transactions expected to occur within 12 months.

Gains and losses of forward foreign exchange contracts recorded in the hedging reserve in the consolidated statement of comprehensive income for the year ended 31 December 2015 are to be recognised within cost of sales and general and administrative expenses in the consolidated statement of profit and loss when the underlying hedged transactions affect the consolidated statement of profit and loss.

The forward foreign exchange contracts entered during 2015 and 2014 were determined to be effective hedges and no gain or loss relating to the ineffective portion was recognised in the consolidated statement of profit and loss.

(ii) Forward foreign exchange contracts – net investment hedge

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

25. Prepayments and Other Receivables

	2015 HK$'000	2014 HK$'000
Net proceeds receivable on disposal of a subsidiary *(Note 39(b))*	**–**	157,620
Other receivable from an entity in the PRC *(Note (i))*	**122,357**	–
Advance payments for purchases of inventories	**8,232**	63,277
Rental deposits	**7,932**	6,944
Value added tax and custom duties recoverable	**9,465**	635
Income tax recoverable	**2,362**	328
Prepaid operating expenses	**16,991**	42,342
Others	**9,744**	9,690
	177,083	280,836
Included in:		
Non-current assets	**30,452**	–
Current assets	**146,631**	280,836
	177,083	280,836

Notes:

(i) Other receivable from an entity in the PRC represents receivables in respect of inventory transfer (Note 22) and consultancy and transitional services fee income from JW PRC Co (Note 5), which included HK$30,452,000 to be received after 1 year at the end of the reporting period.

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

26. Cash and Bank Balances

	2015 HK$'000	2014 HK$'000
Short-term bank deposits	**251,015**	303,278
Cash at bank and on hand	**178,777**	149,881
Cash and cash equivalents in the consolidated cash flow statement	**429,792**	453,159
Short-term bank deposits, with maturities over 3 months	**207,099**	205,004
Bank structured deposits	**29,243**	65,281
Cash and bank balances in the consolidated statement of financial position	**666,134**	723,444

The effective interest rate on short-term bank deposits was 1.9% per annum (2014: 3.0% per annum). The effective interest rate on cash at bank was 0.1% per annum (2014: 0.2% per annum). The short-term bank deposits mainly have maturities ranging from 3 months to one year at inception.

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

The embedded derivative is separated from the host contract and accounted for as a derivative at fair value while the host contract is accounted for as a financial asset at amortised cost. At the date of inception of the contract and at 31 December 2015, the fair value of the embedded derivative was insignificant.

The effective interest rate on bank structured deposits was 3.7% per annum (2014: 5.0% per annum). The bank structured deposits have maturities of three months at inception.

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

	2015 HK$'000	2014 HK$'000
Renminbi	**557,039**	629,450
United States dollars	**67,061**	52,167
Hong Kong dollars	**20,092**	16,408
Pound Sterling	**1,404**	1,438
Others	**20,538**	23,981
Total	**666,134**	723,444

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

27. Accounts Payable and Bills Payable

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

	2015 HK$'000	2014 HK$'000
Less than 3 months	**82,438**	167,296
3 months to 6 months	**6,332**	3,941
Over 6 months	**4,060**	3,595
	92,830	174,832

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

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

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

	2015 HK$'000	2014 HK$'000
United States dollars	**44,793**	96,686
Hong Kong dollars	**16,336**	21,324
Renminbi	**27,670**	52,820
Others	**4,031**	4,002
	92,830	174,832

28. Accruals and Other Payables

Accruals and other payables mainly consist of the current portion of license fees payable, deferred income, payables for royalty fees, accrued employee benefit expenses and other operating expenses. The decrease in accrual and other payables is mainly due to payment of royalty fees and clearance of Jack Wolfskin related payables after the early termination of distribution license of Jack Wolfskin products in 2015 as set out in Note 1.

29. Bank Borrowings

As at 31 December 2015, the Group's bank borrowings were unsecured and covered by corporate guarantees given by the Company. The bank borrowings were due for repayment within three months at the end of the reporting period. As at 31 December 2015, bank borrowings of HK$313,560,000 (2014: HK$433,635,000) and HK$11,734,000 (2014: HK$10,165,000) bore interest at fixed rates and floating rates respectively. The interest rates of the bank borrowings ranged from 1.5% to 2.1% per annum (2014: 1.2% to 2.1% per annum).

Bank borrowings are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
United States dollars	**325,294**	407,800
Hong Kong dollars	**–**	36,000
	325,294	443,800

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

30. Retirement Benefits and Other Post Retirement Obligations

	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
Defined benefit plans *(Note (b))*	**(8,043)**	(6,988)
Long service payment liabilities *(Note (c))*	**21,416**	19,906
	13,373	12,918
Included in non-current assets	**(8,043)**	(7,080)
Included in non-current liabilities	**21,416**	19,998
	13,373	12,918

Notes:

(a) Defined contribution plans

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

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

(ii) The Mandatory Provident Fund Scheme for employees in Hong Kong, under which the Group and its employee each makes monthly contribution to the scheme at 5% of the qualifying earnings of the employee, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014).

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

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

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

(vi) The Group's subsidiary in the UK operates a defined contribution scheme for employees in the UK, under which the subsidiary contributes 1% to 3% of the employees' monthly salaries.

(vii) The Group's subsidiary in Switzerland operates a defined contribution scheme, under which the Group and its employee each contributes 11% of the employee's salaries.

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

(b) Defined benefit plans

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

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

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

The latest actuarial valuations of the above plans were performed by BMI Appraisals Limited, an independent professional valuation firm, as at 31 December 2015, using the projected unit credit method. Based on the actuarial reports, the aggregate market value of the plan assets as at 31 December 2015 was HK$22,135,000 (2014: HK$23,536,000), representing approximately 157% (2014: 142%) of the actuarial accrued liabilities at that date.

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

	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
Present value of funded obligations	**14,092**	16,548
Fair value of plan assets	**(22,135)**	(23,536)
Net defined benefit plan assets	**(8,043)**	(6,988)
Represented by:		
Net defined benefit plan assets	**(8,043)**	(7,080)
Net defined benefit plan liabilities	**–**	92
	(8,043)	(6,988)

A portion of the above assets is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amount recoverable in the next twelve months, as future contributions will also relate to future services rendered and future change in actuarial assumptions and market conditions.

The amounts recognised in the consolidated statement of profit and loss are as follows:

	2015 HK$'000	2014 HK$'000
Current service cost	**643**	806
Net interest income on net defined benefit liabilities	**(101)**	(245)
Total, included in employee benefit expenses	**542**	561

30. Retirement Benefits and Other Post Retirement Obligations (Continued)

Notes (Continued):

(b) Defined benefit plans (Continued)

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

	2015 HK$'000	2014 HK$'000
As at 1 January	**16,548**	15,637
Current service cost	**643**	806
Interest expense	**557**	505
Remeasurement – actuarial (gain)/loss arising from changes in demographic assumptions	**(1,506)**	566
Remeasurement – actuarial (gain)/loss arising from changes in financial assumptions	**(109)**	165
Exchange differences	**(756)**	(547)
Benefits paid by the Group	**(303)**	(91)
Benefits paid by the plans	**(982)**	(493)
As at 31 December	**14,092**	16,548

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

	2015 HK$'000	2014 HK$'000
As at 1 January	**23,536**	24,175
Interest income	**658**	750
Remeasurement – return on plan assets, excluding amounts included in interest income	**(76)**	(39)
Group's contribution paid to the plans	**–**	114
Exchange differences	**(1,001)**	(971)
Benefits paid by the plan	**(982)**	(493)
As at 31 December	**22,135**	23,536

The principal actuarial assumptions used are as follows:

	2015	2014
Discount rate	**1% to 6%**	2% to 5%
Expected rate of future salary increase	**3% to 5%**	3% to 5%

The Group expects not to contribute to its defined benefit plans in the year ending 31 December 2016 (2015: HK$174,000). The weighted average duration of the defined benefit obligations is 11 years (2014: 12 years).

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

	2015	2014
Deposits with financial institutions	**22.6%**	13.7%
Bonds	**33.4%**	49.8%
Stocks	**27.3%**	32.1%
Other assets	**16.7%**	4.4%
Represented by:		
Assets have a quoted market price	**61%**	82%
Assets do not have a quoted market price	**39%**	18%

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

The sensitivity of the defined benefit obligations to changes as a result of the changes in the significant actuarial assumptions is:

	Impact on defined benefit obligations		
Principal assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 5.0% (2014: Decrease by 5.4%)	Increase by 5.4% (2014: Increase by 5.9%)
Salary growth rate	0.50%	Increase by 5.4% (2014: Increase by 5.8%)	Decrease by 5.0% (2014: Decrease by 5.4%)

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

(c) Long service payment liabilities

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

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

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

30. Retirement Benefits and Other Post Retirement Obligations (Continued)

Notes (Continued):

(c) Long service payment liabilities (Continued)

The latest actuarial valuations of the Group's major obligations of long service payment liabilities as at 31 December 2015 were carried out by BMI Appraisals Limited, an independent professional valuation firm, using the projected unit credit method.

	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
Liability in the consolidated statement of financial position: Present value of unfunded obligations	**21,416**	19,906

The amounts recognised in the consolidated statement of profit and loss are as follows:

	2015 HK$'000	2014 HK$'000
Current services cost	**312**	174
Interest cost	**791**	791
Total, included in employee benefit expenses	**1,103**	965

Movements in the present value of unfunded obligations:

	2015 HK$'000	2014 HK$'000
As at 1 January	**19,906**	16,473
Current service cost	**312**	174
Interest expense	**791**	791
Benefit paid by the Group	**(920)**	(541)
Remeasurement – actuarial loss arising from changes in demographic assumptions	**1,673**	784
Remeasurement – actuarial loss arising from changes in financial assumptions	**1,295**	2,324
Exchange difference	**(1,641)**	(99)
As at 31 December	**21,416**	19,906

The principal actuarial assumptions used are as follows:

	2015	2014
Discount rate	**2% to 8%**	2% to 8%
Expected rate of future salary increase	**3% to 10%**	3% to 10%

The weighted average duration of the long service payment liabilities is 12 years (2014: 13 years).

The sensitivity of the present value of unfunded obligations to changes as a result of the changes in the significant assumptions is:

	Impact on present value of unfunded obligations		
Principal assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 5.5% (2014: Decrease by 5.7%)	Increase by 5.9% (2014: Increase by 6.1%)
Salary growth rate	0.50%	Increase by 5.8% (2014: Increase by 6.0%)	Decrease by 5.5% (2014: Decrease by 5.7%)

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

31. License Fees Payable

	2015 HK$'000	2014 HK$'000
Within one year	**15,241**	66,104
In the second year	**–**	27,412
	15,241	93,516
Less: Imputed interest on license fees payable	**(492)**	(3,032)
Present value	**14,749**	90,484
Less: Current portion included in accruals and other payables	**(14,749)**	(66,104)
Non-current portion	**–**	24,380
Estimated fair value of:		
Current portion	**14,749**	66,104
Non-current portion	**–**	26,491

Note:

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

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

	2015 HK$'000	2014 HK$'000
United States dollars	**14,749**	33,115
Euro	**–**	57,369
	14,749	90,484

The estimated fair value of the license fees payable as at 31 December 2015 was approximate to the carrying value.

32. Deferred Tax Assets/Liabilities

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

Deferred tax assets

	Provisions		Depreciation allowances less than the related depreciation		Tax losses		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*
As at 1 January	**40,559**	44,986	**4,373**	9,202	**490**	810	**45,422**	54,998
Exchange differences	**(587)**	(36)	**(30)**	(1)	**–**	–	**(617)**	(37)
(Charged)/credited to profit or loss	**(8,271)**	(5,132)	**(80)**	(4,828)	**3,110**	(320)	**(5,241)**	(10,280)
Credited to other comprehensive income	**522**	741	**–**	–	**–**	–	**522**	741
As at 31 December	**32,223**	40,559	**4,263**	4,373	**3,600**	490	**40,086**	45,422

Deferred tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2015, the Group did not recognise deferred tax assets of HK$46,783,000 (2014: HK$28,556,000) for tax losses that can be carried forward against future taxable income. Cumulative tax losses of HK$64,565,000 (2014: HK$62,542,000) can be carried forward indefinitely; cumulative tax losses of HK$68,169,000 (2014: HK$35,411,000) will expire (if not utilised) within the next five years; and cumulative tax losses of HK$76,359,000 (2014: HK$37,805,000) will expire (if not utilised) from the sixth to tenth years.

Deferred tax liabilities

	Depreciation allowances in excess of the related depreciation		Withholding tax for distribution of retained earnings of the PRC and overseas subsidiaries		Fair value adjustments on business combination		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*
As at 1 January	**5,200**	4,572	**49,019**	42,936	**16,206**	18,688	**70,425**	66,196
Exchange differences	**–**	–	**76**	–	**(873)**	(55)	**(797)**	(55)
(Credited)/charged to profit or loss	**623**	628	**(7,226)**	6,214	**(6,673)**	(2,427)	**(13,276)**	4,415
Credited to other comprehensive income	**–**	–	**(198)**	(131)	**–**	–	**(198)**	(131)
As at 31 December	**5,823**	5,200	**41,671**	49,019	**8,660**	16,206	**56,154**	70,425

(b) Reconciliation to the consolidated statement of financial position:

	2015 ***HK$'000***	2014 *HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**29,874**	33,777
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(45,942)**	(58,780)
	(16,068)	(25,003)

33. Share Capital

	2015 HK$'000	2014 HK$'000
Authorised: 500,000,000 (2014: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid ordinary share capital:

	2015		2014	
	Number of shares	HK$'000	Number of shares	HK$'000
As at 1 January	**271,191,253**	**27,119**	270,779,253	27,078
Shares issued under share option scheme during the year	**416,000**	**42**	412,000	41
As at 31 December	**271,607,253**	**27,161**	271,191,253	27,119

34. Reserves

The reconciliation between the opening and closing balances of each components of the Group's consolidated equity is set out below:

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Remeasure-ments reserve HK$'000	Hedging reserve HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2015	13,406	112,403	90,010	148,665	1,638	–	(13,660)	265,630	117,413	790,011	1,525,516
Comprehensive income											
Loss for the year	–	–	–	–	–	–	–	–	–	(45,669)	(45,669)
Other comprehensive income											
Net fair value losses on cash flow hedges	–	–	–	–	–	–	(29,803)	–	–	–	(29,803)
Remeasurements of defined benefit plans and long service payment liabilities	–	–	–	–	–	(1,429)	–	–	–	–	(1,429)
Deferred tax credited to other comprehensive income *(Note 32)*	–	–	–	–	–	720	–	–	–	–	720
Realisation upon liquidation of a subsidiary	–	–	–	838	–	–	–	–	–	–	838
Currency translation differences	–	–	–	(80,634)	–	–	–	–	–	–	(80,634)
Total comprehensive income	–	–	–	(79,796)	–	(709)	(29,803)	–	–	(45,669)	(155,977)
Transactions with owners											
Transfer	–	2,373	7,230	–	–	709	–	–	–	(10,312)	–
Reserve released upon liquidation of a subsidiary	–	(1,279)	(614)	–	–	–	–	–	–	1,893	–
Issue of shares pursuant to exercise of share options	1,043	–	–	–	(294)	–	–	–	–	–	749
Share option scheme – value of employee services	–	–	–	–	354	–	–	–	–	–	354
Share options granted to employee lapsed	–	–	–	–	(114)	–	–	–	–	114	–
Dividends paid to equity shareholders of the Company in respect of previous financial year *(Note 12)*	–	–	–	–	–	–	–	–	–	(16,271)	(16,271)
Total transactions with owners	1,043	1,094	6,616	–	(54)	709	–	–	–	(24,576)	(15,168)
As at 31 December 2015	14,449	113,497	96,626	68,869	1,584	–	(43,463)	265,630	117,413	719,766	1,354,371

34. Reserves (Continued)

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Remeasure-ments reserve HK$'000	Hedging reserve HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2014	12,631	112,403	105,559	153,826	1,465	–	15,024	265,630	117,413	645,438	1,429,389
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	–	–	148,277	148,277
Other comprehensive income											
Net fair value losses on cash flow hedges	–	–	–	–	–	–	(28,684)	–	–	–	(28,684)
Remeasurements of defined benefit plans and long service payment liabilities	–	–	–	–	–	(3,878)	–	–	–	–	(3,878)
Deferred tax credited to other comprehensive income *(Note 32)*	–	–	–	–	–	872	–	–	–	–	872
Realisation upon disposal of a subsidiary *(Note 39(b))*	–	–	–	3,742	–	–	–	–	–	–	3,742
Currency translation differences	–	–	–	(8,903)	–	–	–	–	–	–	(8,903)
Total comprehensive income	–	–	–	(5,161)	–	(3,006)	(28,684)	–	–	148,277	111,426
Transactions with owners											
Transfer of reserve to offset deficits of Taiwan subsidiaries	–	–	(9,308)	–	–	–	–	–	–	9,308	–
Transfer	–	–	(6,241)	–	–	3,006	–	–	–	3,235	–
Issue of shares pursuant to exercise of share options	775	–	–	–	(219)	–	–	–	–	–	556
Share option scheme – value of employee services	–	–	–	–	392	–	–	–	–	–	392
Dividends paid to equity shareholders of the Company in respect of previous financial year	–	–	–	–	–	–	–	–	–	(16,247)	(16,247)
Total transactions with owners	775	–	(15,549)	–	173	3,006	–	–	–	(3,704)	(15,299)
As at 31 December 2014	13,406	112,403	90,010	148,665	1,638	–	(13,660)	265,630	117,413	790,011	1,525,516

34. Reserves (Continued)

(a) Share premium

The application of the share premium account is governed by the Company's Bye-Laws and the Bermuda Companies Act 1981.

(b) Capital reserve

Capital reserve mainly relates to the amount transferred from retained earnings in connection with a declaration of stock dividend by a subsidiary during the years ended 31 December 2000 and 2015.

(c) Statutory reserve and general reserve

Subsidiaries incorporated in Taiwan are required to set aside 10% of their net profit each year to reserve, according to Company Law in Taiwan. This appropriation is made in the following year until the accumulated reserve equals the paid-in capital. Such reserve can be used to offset a deficit or, when it has reached 50% of the paid-in capital, up to 50% thereof may be transferred to capital. The amount set aside is included under statutory reserve. Subsidiaries in Taiwan did not transfer any amount to the statutory reserve during the year ended 31 December 2015 (2014: Nil). During the year ended 31 December 2014, certain statutory reserves of two Taiwan subsidiaries were utilised to offset accumulated deficits brought forward from 2013. In addition, in 2014 pursuant to a merger arrangement, one of the Taiwan subsidiaries was merged into the other subsidiary, and the amounts equivalent to the capital and reserves (including capital, statutory and general reserve) of the defunct subsidiary were distributed to its direct shareholder within the Group.

The laws and regulations in the Mainland China require wholly foreign owned enterprises established in the Mainland China to provide for statutory reserves which are appropriated from net profit, based on profit reported in the statutory accounts. Certain subsidiaries in the Mainland China are required to allocate at least 10% of their after-tax profit to statutory reserves until the reserves have reached 50% of their registered capital. Statutory reserves can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. During the year ended 31 December 2015, subsidiaries in the Mainland China have transferred HK$7,588,000 (2014: HK$10,638,000) to statutory reserves.

General reserve mainly relates to the profit set aside by the Company according to the Company's Bye-Laws.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Notes 2(d) and 2(l)(ii).

(e) Share option reserve

Share option reserve comprises the fair value at the grant date of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based compensation in Note 2(o)(iv).

(f) Remeasurements reserve

Remeasurements reserve is dealt with in accordance with the accounting policy adopted for the remeasurements of the net defined benefit liability as set out in Note 2(o)(iii).

(g) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Note 2(l)(i).

(h) Contributed surplus

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

35. Share Option Scheme

The Company has adopted a share option scheme (the "2007 Share Option Scheme"), which will remain in force for ten years up to April 2017. Share options may be granted from time to time as determined by the Board, to directors and employees of the Group. The grantee is required to pay HK$1.00 upon acceptance of the options. The subscription price for the shares of the Company, which are the subject of the options, shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price and timing for the exercise of the option will be determined by the Board at the time the option is offered. The options may only be exercised if the grantee remains a director or an employee of the Group. The Group has no legal or constructive obligations to repurchase or settle these options in cash. Details of the share options granted pursuant to the 2007 Share Option Scheme and the share options outstanding at 31 December 2015 are as follows:

	2015		2014	
	Average exercise price per share *HK$*	**Number of options**	Average exercise price per share *HK$*	Number of options
As at 1 January	**3.51**	**2,240,000**	3.22	2,076,000
Granted	**2.97**	**540,000**	3.10	576,000
Exercised	**1.90**	**(416,000)**	1.45	(412,000)
Lapsed	**3.41**	**(244,000)**	–	–
As at 31 December	**3.70**	**2,120,000**	3.51	2,240,000
Exercisable at 31 December	**3.99**	**1,399,000**	3.48	1,474,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.91 (2014: HK$3.10).

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 2.60 years (2014: 2.63 years).

35. Share Option Scheme (Continued)

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

		Number of share options						
Date of grant	Participant	At 01/01/2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31/12/2015	Exercise price per share	Exercisable period
21/06/2010	Employees (in aggregate)	66,000	–	(66,000)	–	**–**	HK$1.90	21/06/2010 – 20/06/2015
		66,000	–	(66,000)	–	**–**	HK$1.90	21/06/2011 – 20/06/2015
		122,000	–	(122,000)	–	**–**	HK$1.90	21/06/2012 – 20/06/2015
		162,000	–	(162,000)	–	**–**	HK$1.90	21/06/2013 – 20/06/2015
13/06/2011	Employees (in aggregate)	105,000	–	–	–	**105,000**	HK$4.01	13/06/2011 – 12/06/2016
		105,000	–	–	–	**105,000**	HK$4.01	13/06/2012 – 12/06/2016
		105,000	–	–	–	**105,000**	HK$4.01	13/06/2013 – 12/06/2016
		105,000	–	–	–	**105,000**	HK$4.01	13/06/2014 – 12/06/2016
18/06/2012	Employees (in aggregate)	80,000	–	–	–	**80,000**	HK$5.06	18/06/2012 – 17/06/2017
		80,000	–	–	–	**80,000**	HK$5.06	18/06/2013 – 17/06/2017
		80,000	–	–	–	**80,000**	HK$5.06	18/06/2014 – 17/06/2017
		80,000	–	–	–	**80,000**	HK$5.06	18/06/2015 – 17/06/2017
03/06/2013	Employees (in aggregate)	127,000	–	–	(23,000)	**104,000**	HK$3.92	03/06/2013 – 02/06/2018
		127,000	–	–	(23,000)	**104,000**	HK$3.92	03/06/2014 – 02/06/2018
		127,000	–	–	(23,000)	**104,000**	HK$3.92	03/06/2015 – 02/06/2018
		127,000	–	–	(23,000)	**104,000**	HK$3.92	03/06/2016 – 02/06/2018
09/06/2014	Employees (in aggregate)	144,000	–	–	(38,000)	**106,000**	HK$3.10	09/06/2014 – 08/06/2019
		144,000	–	–	(38,000)	**106,000**	HK$3.10	09/06/2015 – 08/06/2019
		144,000	–	–	(38,000)	**106,000**	HK$3.10	09/06/2016 – 08/06/2019
		144,000	–	–	(38,000)	**106,000**	HK$3.10	09/06/2017 – 08/06/2019
08/06/2015	Employees (in aggregate)	–	135,000	–	–	**135,000**	HK$2.97	08/06/2015 – 07/06/2020
		–	135,000	–	–	**135,000**	HK$2.97	08/06/2016 – 07/06/2020
		–	135,000	–	–	**135,000**	HK$2.97	08/06/2017 – 07/06/2020
		–	135,000	–	–	**135,000**	HK$2.97	08/06/2018 – 07/06/2020
	Total	2,240,000	540,000	(416,000)	(244,000)	**2,120,000**		

The fair value of options granted during the year of 2015 determined using the Trinomial valuation model was HK$0.74 per option (2014: HK$0.70 per option). The significant inputs into the model are as follows:

	Year in which share options granted	
	2015	2014
Share price at the grant date	**HK$2.97**	HK$3.08
Exercise price	**HK$2.97**	HK$3.10
Dividend yield	**2%**	4%
Volatility	**33%**	36%
Annual risk-free interest rate	**1.3%**	1.3%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 260-week historical volatilities of comparable companies within the industry. The aggregate fair value of the above options granted during the year amounted to HK$402,000 (2014: HK$401,000) is to be recognised as employee benefit expense over the vesting periods together with a corresponding increase in equity.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The total amount of employee benefit expense recognised in the consolidated statement of profit and loss for the year ended 31 December 2015 in relation to the 2007 Share Option Scheme amounted to HK$354,000 (2014: HK$392,000).

36. Financial Risk Management

36.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

For the year ended 31 December 2015, sales of goods were mainly denominated in United States dollars and Renminbi. The major currencies for purchases were United States dollars, Renminbi and Euro. In addition, entities within the Group (whose functional currencies are Renminbi, Philippine Pesos, Thai Bahts and Vietnam Dongs) have monetary assets and liabilities denominated in Hong Kong dollars and United States dollars.

The Group has entered into forward foreign exchange contracts to hedge against foreign exchange exposures arising from United States dollars denominated processing income for factories in the PRC and from Euro for payments to suppliers.

At 31 December 2015, if Renminbi against Hong Kong dollars had strengthened/weakened by 5% with all other variables held constant, the post-tax profit for the year would be increased/decreased by HK$7,667,000 (2014: HK$3,822,000 at 2% exchange rate change) mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated net monetary assets of a Hong Kong subsidiary; while the other comprehensive income would be increased/decreased by HK$34,466,000 (2014: HK$15,852,000 at 2% exchange rate change), representing the impact of the change in fair value of forward foreign exchange contracts at the end of the reporting period.

At 31 December 2015, if Euro against Hong Kong dollars had strengthened/weakened by 5% with all other variables held constant, the post-tax profit for the year would be decreased/increased by HK$109,000 (2014: HK$3,967,000 at 5% exchange rate change) mainly as a result of foreign exchange losses/gains on translation of Euro denominated liabilities.

If Pound Sterling, Philippine Pesos, Thai Bahts and Vietnam Dongs had strengthened/weakened against Hong Kong dollars by 5% at the year end date with all other variables held constant, the impact on post-tax profit for the year would not be significant.

(ii) Cash flow and fair value interest rate risk

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

At 31 December 2015, if interest rates on borrowings and bank balances had increased/decreased by 25 basis points with all other variables held constant, the impact on post-tax profit for the year would not be significant.

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

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

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

	Less than 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Total** *HK$'000*
At 31 December 2015			
Accounts payable and bills payable	**92,830**	**–**	**92,830**
Accruals and other payables	**211,452**	**–**	**211,452**
Bank borrowings and interest payments	**325,517**	**–**	**325,517**
License fees payable	**15,241**	**–**	**15,241**
	645,040	**–**	**645,040**

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

36. Financial Risk Management (Continued)

36.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

All the Group's forward foreign exchange contracts outstanding at 31 December 2015 are net settlement contracts in hedge relationships. Contracts due to settle within 12 months require undiscounted contractual cash outflows of HK$13,917,000 (2014: HK$4,576,000). Contracts due to settle between 2 and 5 years require undiscounted contractual cash outflows of HK$29,546,000 (2014: HK$9,084,000). There is no gross settlement contract as at 31 December 2015 and 2014.

(b) Credit risk

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

The Group's sales are mainly on open account. Each open account customer is granted an approved credit limit and the Group closely and regularly monitors the credit default risk of receivables from customers. During the year ended 31 December 2015, receivables from customers are substantially covered by credit insurance. At the end of the reporting period, 12% (2014: 8%) and 49% (2014: 38%) of the account receivables and bill receivables was due from the Group's largest customer and the five largest customers respectively in the garment manufacturing segment. Deteriorating operating conditions of customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial assets. To the extent that information is available, management has properly reflected estimates of expected future cash flows in the asset impairment assessments. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions. There is no significant credit risk in relation to the Group's cash and bank balances as cash and bank balances are placed with banks and financial institutions with good credit ratings. All the Group's bank deposits were placed in international financial institutions with minimum credit ratings of BBB as rated by Standard & Poor's as at 31 December 2015.

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

36.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Total capital comprises "capital and reserves" as shown in the consolidated statement of financial position plus net borrowing, if any. During the years ended 31 December 2015 and 2014, the Group had no net borrowings, which is calculated as total borrowings less cash and cash equivalents.

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

36.3 Fair value estimation

The fair value of derivative financial instruments (forward foreign exchange contracts) is determined using forward exchange market rates at the end of each reporting period. The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in the active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following tables present the Group's financial assets and liabilities that are measured at fair value at 31 December 2015 and 2014.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
At 31 December 2015				
Liabilities				
Forward foreign exchange contracts				
– Non-current	**–**	**(29,546)**	**–**	**(29,546)**
– Current	**–**	**(13,917)**	**–**	**(13,917)**
Total liabilities	**–**	**(43,463)**	**–**	**(43,463)**

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

36. Financial Risk Management (Continued)

36.3 Fair value estimation (Continued)

There was no transfer of financial assets between fair value hierarchy classifications for the years ended 31 December 2015 and 2014. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. Level 2 hedging derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives. There was no change in valuation techniques during the year.

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

36.4 Offsetting financial assets and financial liabilities

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

37. Commitments

(a) Operating lease commitments

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

	2015 ***HK$'000***	2014 *HK$'000*
Within 1 year	**72,234**	67,973
After 1 year but within 5 years	**37,739**	63,644
After 5 years	**6,592**	7,921
	116,565	139,538

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties, quarters and shops. Except for the lease in respect of a piece of land located in the Philippines over 5 years, other leases typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated.

Certain non-cancellable operating leases in respect of properties included above are subject to contingent rent payments, which are charged at amounts varying from 15% to 30% (2014: 15% to 30%) of the monthly gross takings at the leased premises in excess of the base rents as determined in the respective lease agreements. The above disclosure in respect of operating lease commitments for properties exclude contingent rent payments, which are not committed.

(b) Capital commitments

The Group had no capital commitments as at 31 December 2015 and 2014.

38. Related Party Transactions

(a) Transactions with related parties

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

	2015 ***HK$'000***	2014 *HK$'000*
A related company		
Rental expense *(Note)*	**8,061**	7,200

Note:

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

(b) Transactions with key management

(i) Key management compensation

	2015 ***HK$'000***	2014 *HK$'000*
Salaries, allowances and bonuses	**34,499**	37,597
Defined contribution plans	**483**	327
Share-based compensation expense – share options granted	**266**	243
	35,248	38,167

(ii) Advance to an employee

In June 2012, a subsidiary of the Group made a cash advance of HK$12,000,000 to a key management employee of the Group. Pursuant to the agreement, the cash advance is unsecured and bears interest at the Group's cost of borrowing. The short-term portion of the cash advance of HK$3,500,000 plus related interest was repayable within one year. The remaining long-term portion of HK$8,500,000 was to be waived by the subsidiary in equal amount semi-annually over a period of ten years commencing from the third year while the individual remains as an employee of the Group. Any unwaived principal plus related accrued interest will be repayable upon cessation of employment of the employee. The short-term portion of the cash advance is included in prepayments and other receivables (Note 25). The long-term portion regarded as prepaid staff benefit is included in other long-term assets (Note 20) and is amortised over twelve years from the date of the advance. In June 2013 and June 2014, the subsidiary and the individual entered into amendment agreements to change the repayment date of the short-term cash advance of HK$3,500,000. Pursuant to the 2014 amendment agreement, such cash advance is repayable by HK$1,000,000 each on or before 30 June 2014 and 30 June 2015 respectively, with the remaining balance of HK$1,500,000 plus accrued interest repayable on or before 30 June 2016.

39. Notes to the Consolidated Cash Flow Statement

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

	2015 HK$'000	2014 HK$'000
(Loss)/profit before income tax	**(9,417)**	236,539
Adjustments for:		
Depreciation on property, plant and equipment	**77,689**	78,533
Amortisation of leasehold land and land use rights	**3,199**	4,170
Amortisation of license rights and service right	**74,656**	62,033
Net gain on disposal of freehold land and building	**–**	(30,172)
Net loss/(gain) on disposals of property, plant and equipment	**154**	(2,096)
Net gain on disposal of a subsidiary	**–**	(137,272)
Impairment of goodwill	**–**	20,893
Write-down/(reversal of) inventories to net realisable value, net	**29,140**	(8,672)
Share-based compensation expense – share options granted	**354**	392
(Reversal of)/provision for impairment of receivables, net	**(666)**	265
Finance income	**(13,953)**	(14,741)
Finance costs	**8,510**	12,686
Effect of foreign exchange rate changes	**(17,645)**	(13,063)
	152,021	209,495
Changes in working capital:		
Decrease/(increase) in inventories	**277,178**	(72,910)
Decrease/(increase) in accounts receivable and bills receivable	**142,240**	(39,607)
(Increase)/decrease in prepayments and other receivables	**(48,222)**	45,495
(Decrease)/increase in accounts payable and bills payable	**(82,002)**	4,335
Decrease in accruals and other payables	**(245,204)**	(59,531)
Increase/(decrease) in retirement benefits and other post retirement obligations	**422**	(387)
Cash generated from operations	**196,433**	86,890

(b) Net gain on disposal of a subsidiary

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

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

40. Company-Level Financial Information

(a) Company-level statement of financial position

	Note	2015 HK$'000	2014 HK$'000
Non-Current Assets			
Property, plant and equipment		**1,164**	1,516
Investments in subsidiaries		**564,370**	473,946
Deferred tax assets		**6**	–
		565,540	475,462
Current Assets			
Amounts due from subsidiaries		**489,449**	406,335
Prepayments and other receivables		**419**	504
Current tax recoverable		**30**	–
Cash and bank balances		**5,335**	4,068
		495,233	410,907
Current Liabilities			
Accruals and other payables		**7,683**	12,056
Current tax payable		**–**	83
Amounts due to subsidiaries		**237,030**	79,956
		244,713	92,095
Net Current Assets		**250,520**	318,812
Total Assets Less Current Liabilities		**816,060**	794,274
Non-Current Liabilities			
Deferred tax liabilities		**–**	10
Net Assets		**816,060**	794,264
Equity			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	33	**27,161**	27,119
Reserves	40(b)	**788,899**	767,145
Total Equity		**816,060**	794,264

40. Company-Level Financial Information (Continued)

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 January 2015	**13,406**	**1,638**	**321,020**	**110,000**	**321,081**	**767,145**
Comprehensive income						
Profit for the year *(Note 11)*	**–**	**–**	**–**	**–**	**37,036**	**37,036**
Total comprehensive income	**–**	**–**	**–**	**–**	**37,036**	**37,036**
Transactions with owners						
Issue of shares pursuant to exercise of share options	**1,043**	**(294)**	**–**	**–**	**–**	**749**
Share option scheme – value of employee services	**–**	**354**	**–**	**–**	**–**	**354**
Share options granted to employee lapsed	**–**	**(114)**	**–**	**–**	**–**	**(114)**
Dividends paid to equity shareholders of the Company in respect of the previous financial year *(Note 12)*	**–**	**–**	**–**	**–**	**(16,271)**	**(16,271)**
Total transactions with owners	**1,043**	**(54)**	**–**	**–**	**(16,271)**	**(15,282)**
As at 31 December 2015	**14,449**	**1,584**	**321,020**	**110,000**	**341,846**	**788,899**

	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 January 2014	12,631	1,465	321,020	110,000	293,478	738,594
Comprehensive income						
Profit for the year *(Note 11)*	–	–	–	–	43,850	43,850
Total comprehensive income	–	–	–	–	43,850	43,850
Transactions with owners						
Issue of shares pursuant to exercise of share options	775	(219)	–	–	–	556
Share option scheme – value of employee services	–	392	–	–	–	392
Dividends paid to equity shareholders of the Company in respect of the previous financial year	–	–	–	–	(16,247)	(16,247)
Total transactions with owners	775	173	–	–	(16,247)	(15,299)
As at 31 December 2014	13,406	1,638	321,020	110,000	321,081	767,145

41. Immediate and Ultimate Holding Company

At 31 December 2015, the directors consider the immediate and ultimate holding company of the Group to be Silver Tree Holdings Inc., which is incorporated in the British Virgin Islands.

42. Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKAS 1, "Disclosure initiative"	1 January 2016
Amendments to HKAS 16 and HKAS 38, "Clarification of acceptable methods of depreciation and amortisation"	1 January 2016
HKFRS 15, "Revenue from contracts with customers"	1 January 2018
HKFRS 9, "Financial instruments"	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. The Group is therefore unable to disclose the impact that adopting the amendments and new standards will have on its financial position and the results of operations when such amendments and new standards are adopted.

43. Particulars of Principal Subsidiaries, all of which are unlisted, as at 31 December 2015

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

43. Particulars of Principal Subsidiaries, all of which are unlisted, as at 31 December 2015
(Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Cissonne Hong Kong Limited	Hong Kong	Hong Kong	General trading	HK$1	–	100%	100%
Dress Line Holdings, Inc.	The Philippines	The Philippines	Investment holding	P59,562,500 (common)	–	100%	100%
				P180,000,000 (preferred) *(Note (ii))*	–	100%	100%
Elite Fashion (Hong Kong) Limited	Hong Kong	Hong Kong	Investment holding	HK$2	–	95%	95%
Excellent Jade Limited	Hong Kong	Hong Kong	Garment trading and manufacturing	HK$10,000	–	100%	100%
Excellent Quality Apparel, Inc.	The Philippines	The Philippines	Garment manufacturing	P40,000,000	–	100%	100%
Gold Flower Limited	Hong Kong	Hong Kong	General administrative and supporting services	HK$10,000	–	100%	100%
Great Horizons Property Ventures, Inc.	The Philippines	The Philippines	Investment holding	P8,000,000	–	100%	100%
Guangzhou Excellent Fashion Design Company Limited *(Note (iii))*	PRC	PRC	Garment design and provision of technical services	RMB1,500,000	–	100%	100%
Guangzhou Tristate Industrial Co., Ltd. *(Note (iii))*	PRC	PRC	Garment manufacturing	HK$18,500,000	–	100%	100%
Hefei Tristate Garment Manufacturing Company Limited *(Note (iii))*	PRC	PRC	Garment manufacturing	RMB105,000,000	–	100%	100%
合肥賢法服裝有限公司 *(Note (iii))*	PRC	PRC	General trading	RMB1,000,000	–	100%	100%
HFT Corp. Limited	Hong Kong	Hong Kong	Investment holding	HK$10,000,000	–	100%	100%
Honest Point Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Hua Thai Manufacturing Public Company Limited	Thailand	Thailand	Garment manufacturing and exporting	THB100,000,000	–	99.87%	99.87%
Hwa Fuh Manufacturing Company (Hong Kong) Limited	Hong Kong	Hong Kong	Investment holding	HK$55,180,219	–	100%	100%
Joint Holdings & Trading Company Limited	Hong Kong	Hong Kong	Investment holding	HK$925 (ordinary)	–	100%	100%
				HK$7,200,075 (deferred) *(Note (i))*	–	100%	100%
Keybird Limited	Hong Kong	Hong Kong	Investment holding	HK$3,000,000	100%	–	100%
Keyear Company Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%

43. Particulars of Principal Subsidiaries, all of which are unlisted, as at 31 December 2015

(Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Maxride Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Prime-Time Company Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Prosperous Year International Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Quality Time Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Shanghai Tristate Enterprises Co., Ltd. *(Note (iii))*	PRC	PRC	Branded product distribution and retail	RMB180,000,000	–	100%	100%
Sharp Hero International Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Shiny Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	95%	95%
Sigsbee Investment Limited	The Republic of Liberia	Hong Kong	Investment holding	US$1	100%	–	100%
Sparkling Ocean Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	100%	–	100%
Strong Pine Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Tenmo Limited	Hong Kong	Hong Kong	Investment holding	HK$2,000,000	100%	–	100%
Timely Corporate Limited	Hong Kong	Hong Kong	Nominee and secretarial services	HK$1	100%	–	100%
Tristate Cissonne Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate Cissonne International Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate Cissonne IP Limited	British Virgin Islands	Hong Kong	Trademark holding	US$1	–	100%	100%
Tristate EFM Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate EFM Hong Kong Limited	Hong Kong	Hong Kong	General trading	HK$1	–	100%	100%
Tristate EFM International Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate EFM IP Limited	British Virgin Islands	Hong Kong	Trademark holding	US$1	–	100%	100%
Tristate EFM US Inc.	United States of America	United States of America	Branded product distribution and retail	US$1	–	100%	100%
Tristate Industrial Co., Ltd.	Taiwan	Taiwan	Sales liaison services	NT$20,000,000	–	100%	100%
Tristate International SA	Switzerland	Switzerland	Garment trading and marketing	CHF100,000	–	95%	95%
Tristate Myanmar Company Limited	The Republic of the Union of Myanmar	The Republic of the Union of Myanmar	Garment manufacturing	US$1,126,322	–	100%	100%

43. Particulars of Principal Subsidiaries, all of which are unlisted, as at 31 December 2015 (Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Tristate Trading Limited	Malaysia	Macau	Garment trading	US$1	–	100%	100%
Tristate Tri-novation Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Tristate Tri-novation Hong Kong Limited	Hong Kong	Hong Kong	Investment holding	HK$1	–	95%	95%
Tristate Trinovation IP S.à r.l.	Luxembourg	Luxembourg	Trademark holding and licensing	EUR12,500	–	95%	95%
TT&Co Asia Limited	Hong Kong	Hong Kong	General trading	HK$10,000	–	100%	100%
Upgain Limited	British Virgin Islands	Hong Kong	Investment holding	US$16,000,000	–	99.87%	99.87%
Upgain (Vietnam) Manufacturing Company Limited	Vietnam	Vietnam	Garment manufacturing	US$4,000,000	–	100%	100%
Velmore Holdings Limited	England	England	Investment holding	GBP558,335.60	–	100%	100%
Velmore Limited	England	England	Design and customer support services	GBP30,000	–	100%	100%
Velmore Sarl	Morocco	Morocco	Inactive	Dirhams100,000	–	100%	100%
Winner Wealth Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%

Notes:

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

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

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

None of the subsidiaries had any loan capital in issue at any time during the years ended 31 December 2015 and 2014.