HANBO 恒寶

HANBO ENTERPRISES HOLDINGS LIMITED
恒寶企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SEHK Stock Code: HK 1367

Contents

About HANBO

We are an apparel supply chain manager and were established in 1991. We act as a one-stop solution provider by providing a wide range of services to our customers to meet their needs along the apparel supply chain. We focus on woven wear, such as shirts, pants, jeans and jackets. Our apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management, and social compliance and sustainability monitoring services.

Vision

Our stakeholders recognize us in creative solutions reducing vulnerabilities in every step of the apparel supply chain process.

Mission

We are apparel supply chain risk manager who mitigates and rebalances risks for apparel industry.

Value

Talents:
People are our assets

Integrity:
Utmost honesty and trustworthiness

Passion:
Burning desire to be the best in business

Performance:
Exceed customers' expectations

Innovation:
Every problem has many unique solutions

HANBO®

Streamlined **Measurable** **Aligned**

Resilient Transparent

Corporate Information

Board of Directors

Executive Directors

Mr. CHENG Lap Yin *(Chairman)*
Mr. LIU Chung Tong *(Deputy Chairman)*#
Mr. LIU Ying Yin, James *(Managing Director)**
Mr. KAO Lap Shing *(Financial Controller)*
Mr. YU Yuen Mau, Banny

Independent Non-Executive Directors

Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung
Mr. NG Ming Yuen, John (Resigned on 15 April 2016)

Company Secretary

Mr. KAO Lap Shing

Authorised Representatives

Mr. CHENG Lap Yin
Mr. LIU Chung Tong

Audit Committee

Mr. NG Ming Yuen, John *(Chairman)*
(Resigned on 15 April 2016)
Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung

Remuneration Committee

Mr. LAI Kin Keung *(Chairman)*
Mr. CHENG Lap Yin
Mr. CHUNG Kwok Pan

Nomination Committee

Mr. CHENG Lap Yin *(Chairman)*
Mr. LIU Ying Yin, James
Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung
Mr. NG Ming Yuen, John (Resigned on 15 April 2016)

Compliance Committee

Mr. LIU Chung Tong *(Chairman)*
Mr. KAO Lap Shing
Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung
Mr. NG Ming Yuen, John (Resigned on 15 April 2016)

Registered Office

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

Headquarters and Principal Place of Business in Hong Kong

Flat A & B, 9/F., Tontex Industrial Building
2–4 Sheung Hei Street
San Po Kong, Kowloon
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

Principal Bankers

China CITIC Bank International Limited
232 Des Voeux Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Bank Building
4–4A Des Voeux Road Central
Hong Kong

(Appointed as Managing Director on 20 January 2016)

* (Resigned as Managing Director on 20 January 2016)

Auditors
Ernst & Young
Certified Public Accountants
Hong Kong
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisers
as to Hong Kong law
Pinsent Masons
50/F
Central Plaza
18 Harbour Road
Hong Kong

as to Cayman Islands law
Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Compliance Adviser
Lego Corporate Finance Limited
1601, 16/F, China Building
29 Queen's Road Central
Hong Kong
(Appointed on 29 January 2016)

Quam Capital Limited
18/F–19/F, China Building
29 Queen's Road Central
Hong Kong
(Resigned on 29 January 2016)

Website
www.hanbo.com

Stock Code
1367

Financial Summary

	Year ended 31 December				
	2015	2014	2013	2012	2011
RESULTS					
Revenue	**355,952**	334,819	554,589	463,568	666,739
Gross profit	**59,449**	54,408	84,608	73,202	85,071
Profit/(loss) before tax	**(4,378)**	(16,803)	26,985	31,120	20,556
Income tax expense	**(989)**	(1,036)	(2,172)	(2,548)	(688)
Profit/(loss) for the year	**(5,367)**	(17,839)	24,813	28,572	19,868

	31 December				
	2015	2014	2013	2012	2011
ASSETS AND LIABILITIES					
Total assets	**184,516**	193,111	168,372	254,302	269,768
Total liabilities	**48,087**	51,010	63,630	118,310	132,838
Net assets	**136,429**	142,101	104,742	135,992	136,930

The results and summary of assets and liabilities for each of the three years ended 31 December 2013 were extracted from the Company's prospectus dated 30 June 2014 (the "Prospectus").

Chairman's Statement

Mr. CHENG Lap Yin
(Chairman and Executive Director)

HANBO's loss significantly reduced from HK$17.8 million in 2014 to HK$5.4 million in 2015 due to improved sales and gross profit, together with a one-time extraordinary charge of listing expenses of HK$11.4 million in 2014 which did not recur in 2015.

Results

On behalf of the Board of Directors (the "Board") of Hanbo Enterprises Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group" or "Hanbo") for the year ended 31 December 2015.

Despite the weak US economy and the changing strategy of our retailers, we managed to achieve growth in the Group's revenue to approximately HK$356.0 million, representing a moderate increase of approximately 6.3% in comparison to year 2014. Gross profit increased from approximately HK$54.4 million in 2014 to HK$59.4 million in 2015, representing an increase of approximately 9.3%. Loss attributable to equity holders was reduced by approximately HK$12.5 million to HK$5.4 million in 2015.

Business Overview

Hanbo provides apparel supply chain management services for woven wear and acts as a one-stop solution provider to its customers with a wide range of services to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers. Our major market, the United States, remains to be challenging, as it is still suffering from a frail economy and weak consumer spending, and reduced mall traffic where consumers' gravitation towards e-commerce are challenging to retailers who focus primarily on brick-and-mortars. However, we have successfully improved our business with two major customers through better provision of supply chain service. The Group has also successfully expanded its product offerings not only garment related products but into handbags/accessories which have begun shipment in July 2015.

In early 2015, one of our customers closed its Canada footprint. Provision of approximately HK$0.5 million and approximately HK$0.2 million has been made in 2015 and 2014 respectively to reflect the potential loss from the closure. Financial health of our customers plays a crucial role in further building our business. Most of our major customers are public companies. We trade with customers on open account after our credit assessment, and we monitor our customers' financial position and settlement records closely to reduce our credit risks.

Development of China domestic market was not smooth. We decided to cease consignment sales arrangement with a China retail chain. Provision for impairment has been made for almost all of the inventory in 2015, which was approximately HK$2.4 million. On the other hand, development of European markets is in progress. We have visited some new European customers and some have proceeded to sample development stage.

During the fiscal year, the loss of the Group has been significantly reduced due to improved sales and gross profit, together with a one-off listing expenses of approximately HK$11.4 million in 2014 which did not recur in 2015.

The manufacturing environment remains to be concentrated in Cambodia, Bangladesh and China. Cambodia experienced increasing labor costs mainly due to US dollar appreciation and political labor union movement. While Cambodia remains an important production base in our supply chain, we see growing significance of Bangladesh for our customers' supply chain solution as well as working conditions improvement led by industry and its government. Hence, we have shifted more orders to Bangladesh and Vietnam but lessened Indonesia in 2015. Overall, this helped us to reduce cost pressure and improve our margin.

We have continued to upgrade our ERP system to improve transparency of order status and production planning. The newly developed QA inspection module improves our efficiency in performing quality check. Our mobile app, Hanbo Link, has been launched to enable our customers and colleagues to monitor the order status and to keep updated with market intelligence information. The Group has also invested in cloud computing and infrastructure to allow centralized and speedy access of ERP system and information by overseas regional offices.

Our strong product development support which won the World Fashion Design Award in two categories in March 2016, production flexibility and scalability continued to be primary drivers for customers' sourcing strategy adoption. We not only own the products but also own the process until final products take delivery, aligning interests mutually with customers to shorten lead-time and create product value.

Future Prospects

The Board remains prudently optimistic about the business environment in 2016. We continue to receive enquiries of new customers asking for quotations. We will focus our resources to match the requirements of core customers. We have also streamlined our operation, consolidated production bases, cut headcount and office in March and April 2016. This will help us to save approximately HK$1 million in monthly overheads. We keep on enhancing our ERP system to further strengthen our relationship with supply chain partners and improve efficiency. Current projects in progress include use of radio-frequency identification and other IT technology to facilitate sharing of data with our supply chain partners so as to reduce duplicate data entry work, enhance data accuracy and communication.

Hanbo has actively participated in sustainability which is increasingly valued by our customers in making their sourcing decisions. We are a member of the Sustainable Apparel Coalition (SAC) and will incorporate its sustainability measurement tool, the Higg Index, which we actively contribute in working groups in helping shape the Higg Index, to gauge environmental sustainability and drive supply chain decision-making to better efficiency and sustainability impact. Hanbo is also recognised as Hong Kong Green Organization by Environmental Campaign Committee and also granted Green Office Award by World Green Organization.

Appreciation

On behalf of the Group, I would like to express my sincere appreciation and gratitude to all our customers and suppliers for their dedicated support. At the same time, I take this opportunity to thank all our staff for their invaluable service, commitment and diligence throughout last year and grateful to my fellow Board members as well as the senior management (the "Senior Management") for their contribution to the Group. Finally, I would like to thank all of our shareholders (the "Shareholders") for their trust and continuous support over a challenging but bittersweet year of 2015.


Group's
gross profit
approximately
59.4
million (HKD)

Management Discussion and Analysis

Business Review

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets). The apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers by providing them with a wide range of services to meet their needs along the apparel supply chain. The Group derives revenue primarily from the sale of apparel products it procures for its customers.

For the year ended 31 December 2015 (the "Reporting Period"), the Group's revenue was approximately HK$356.0 million, representing an increase of approximately 6.3% when compared to the year ended 31 December 2014 (the "Previous Reporting Period") of approximately HK$334.8 million. The increase was primarily as a result of the combined effect of some customers with (i) improvement of product development conversion to sales; (ii) betterment of customer communication channel thus relationship; (iii) more appropriate provision of supply chain service; and (iv) enhanced effort to maintain cost stability and competitiveness.

Accordingly, gross profit increased from approximately HK$54.4 million in the Previous Reporting Period to approximately HK$59.4 million in the Reporting Period, representing an increase of approximately 9.3%. Gross profit margin remained relatively stable that it slightly increased from approximately 16.2% for the Previous Reporting Period to approximately 16.7% for the Reporting Period.

Net loss attributable to the owners of the Company for the Reporting Period was approximately HK$5.4 million as compared to approximately HK$17.8 million for the Previous Reporting Period. The improved net loss position was mainly due to (i) the increase in gross profit of approximately HK$5.0 million; and (ii) a one-off listing expenses of approximately HK$11.4 million were incurred in the Previous Reporting Period, which did not recur in the Reporting Period.

Financial Review

Revenue

The Group's revenue for the Reporting Period was approximately HK$356.0 million, which increased by approximately HK$21.1 million when compared to the Previous Reporting Period. The increase was primarily the result of the combined effect of some customers with (i) improvement of product development conversion to sales; (ii) betterment of customer communication channel thus relationship; (iii) more appropriate provision of supply chain service; and (iv) enhanced effort to maintain cost stability and competitiveness.

Cost of Sales

Cost of sales includes raw materials, subcontracting fees and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products. Other costs include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance.

Subcontracting fees continue to be the major component of the Group's total cost of sales and accounted for approximately 97.4% of the total cost of sales for the Reporting Period (the Previous Reporting Period: approximately 96.7%).

Gross Profit and Margin

The Group's gross profit for the Reporting Period was approximately HK$59.4 million, representing an increase of approximately 9.3% from approximately HK$54.4 million for the Previous Reporting Period.

The Group's overall gross profit margin remained relatively stable that it slightly increased from approximately 16.2% for the Previous Reporting Period to approximately 16.7% for the Reporting Period.

Other Income and Gain

Other income and gain for the Reporting Period was approximately HK$6.3 million, representing an increase of approximately 201.4% from the Previous Reporting Period. The increase was mainly due to write-back of impairment of trade receivables of approximately HK$1.4 million and compensation income from an insurance company of approximately HK$2.7 million for the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of (i) sample cost; (ii) travelling expenses; (iii) electronic data interchange charges; (iv) entertainment expenses; (v) air freight charges; and (vi) other selling and distribution expenses. Selling and distribution expenses decreased by approximately 13.9% to approximately HK$1.9 million during the Reporting Period mainly due to the decrease in travelling expenses and air freight charges.

Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, entertainment expenses, rental expenses for the Group's office premises and travelling expenses. Administrative expenses increased by approximately 7.7% to approximately HK$62.2 million during the Reporting Period mainly due to the increase in staff costs and legal and professional fees.

Other Expenses, net

Other expenses, net mainly represented the rework costs paid to customer and the provision for doubtful debts. Other expenses, net for the Reporting Period was approximately HK$5.8 million, representing a decrease of approximately 55.8% from the Previous Reporting Period. The decrease was mainly due to listing expenses of approximately HK$11.4 million incurred in the Previous Reporting Period, while no listing expenses were incurred during the Reporting Period.

Finance Costs

Finance costs increased by approximately 175.0% to approximately HK$253,000 as compared to approximately HK$92,000 in the Previous Reporting Period. The increase was mainly due to our increase in making trust receipt loans during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2015, cash and cash equivalents amounted to approximately HK$81.7 million, which increased by approximately 27.3% as compared to approximately HK$64.2 million as at 31 December 2014. The current ratio of the Group was approximately 3.6 (2014: 3.7).

GEARING RATIO

As at 31 December 2015, the Group's total borrowings amounted to approximately HK$706,000 (2014: HK$1,316,000), mainly consist of finance lease liabilities amounting to approximately HK$318,000 (2014: Nil) and bank borrowing amounting to approximately HK$388,000 (2014: HK$1,316,000). The bank borrowings of the Group as at 31 December 2015 and 31 December 2014 were incurred for trade finance purposes. Thus, the gearing ratio (being the finance leases liabilities divided by the equity attributable to the owners of the Company) of the Group as at 31 December 2015 was approximately 0.2% (2014: Nil).

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB") and United States dollars ("US$"). The Group has currency exposure as certain subcontracting fees incurred in the Mainland China were denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the Reporting Period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the Reporting Period, the Group's capital expenditure consisted of additions to property, plant and equipment amounting to approximately HK$1.5 million (Previous Reporting Period: approximately HK$1.3 million).

CAPITAL COMMITMENTS

As at 31 December 2015, the Group did not have any significant capital commitments (2014: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of 211 employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK$41.3 million for the Reporting Period, as compared to approximately HK$38.4 million for the Previous Reporting Period.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees who are employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares (the "Shares") may be granted to the Directors and employees of the Group.

Future Plans for Material Investments and Capital Expenditures

The Group did not have any plans for material investments nor capital expenditures.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company during the Reporting Period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Reporting Period, there was no other material acquisition and disposal of subsidiaries by the Company.

RISK MANAGEMENT

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit and liquidity in its major operation.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Credit risk

The trade and bills receivable and other receivables balances included in the statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's receivables. The Group performs ongoing credit evaluations of its debtors' financial conditions and requires no collateral from its debtors, where appropriate. The allowance for doubtful debts is based on a review of the expected collectability of all receivables.

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

Contingent Liabilities

As disclosed in note 27 to the financial statements, the Board considers that the results of the litigation in relation to a breach of contract claim by a fabric supplier will have no material adverse impact on the business, operations and financials of the Group.

Charge on the Group's Assets

As at 31 December 2015, the Group's property with a net carrying value of approximately HK$1.8 million (2014: approximately HK$1.9 million) was pledged to banks to secure general banking facilities granted to the Group.

DIVIDEND

The Board does not recommend the distribution of any dividends for the Reporting Period.

Directors and Senior Management

Directors

Executive Directors

Mr. Cheng Lap Yin (鄭立言), aged 51, was appointed as the Chairman and Executive Director of the Company in September 2013. He is the chairman of the nomination committee, a member of the nomination and remuneration committee and the director of certain subsidiaries of the Company. He is one of the founding directors of the Group responsible for the strategic planning and overall management of the Group's business development. Before becoming a founding director of the Group, he had worked for Dodwell International Buying Offices Ltd. as senior merchandiser from November 1989 to February 1991 and later on he was appointed as senior merchandiser at Mast Industries (Far East) Ltd., from March 1991 to February 1992.

Mr. Cheng obtained an Executive Master of Business Administration degree from City University of Hong Kong.

Mr. Liu Chung Tong (廖頌棠), aged 43, was appointed as the Deputy Chairman and Executive Director of the Company in September 2013 and was further appointed as the Managing Director of the Company in January 2016. He is the chairman of the compliance committee and the director of certain subsidiaries of the Company. He is responsible for the strategic planning and strategic review processes. Mr. Liu is a son of Mr. Liu Ying Yin, James.

Mr. Liu obtained a Bachelor of Arts in Architecture degree in December 1995 from University of California, Berkeley and a Master of Business Administration degree in November 2011 from The University of Hong Kong. He is currently an Architect Member of The American Institute of Architects (AIA), a Chartered Member of the Royal Institute of British Architects (RIBA) and Member of Hong Kong Securities and Investment Institute ("HKSI").

Mr. Liu Ying Yin, James (廖英賢), aged 69, was appointed as Managing Director and Executive Director of the Company in September 2013 and resigned as Managing Director of the Company in January 2016. He is a Member of the nomination committee and the director of certain subsidiaries of the Company. He is responsible for overall strategy, investment planning and human resource strategy.

Mr. Liu is a Chartered Secretary (AGIA, ACIS) and Chartered Marketer (MCIM). He is a member of the HKSI and a licensed responsible officer of Mars Securities Co. Ltd. He obtained an Executive Master of Business Administration degree from City University of Hong Kong. He has been appointed as an adjunct professor at City University of Hong Kong since 1 January 2011. Mr. Liu is the father of Mr. Liu Chung Tong.

Mr. Kao Lap Shing (高立誠), aged 50, was appointed as Executive Director and Financial Controller in September 2013 and was further appointed as the Company Secretary on 1 August 2014. He is a member of compliance committee and the director of certain subsidiaries of the Company. He is responsible for the finance, information technology and administrative functions. Mr. Kao has over 18 years of experience in accounting and auditing. From July 1987 to May 1989, he was employed as staff accountant (audit) at Arthur Andersen & Co.. From July 1989 to February 1992, he served as assistant management accountant at Dickson Management Consultancy Limited. From September 2002 to September 2004, he served as management accountant of Ryowo (Holding) Company Limited.

Mr. Kao obtained a Bachelor of Social Sciences degree from The University of Hong Kong, a Master of Science degree in Financial Economics from University of London and a Master of Science degree in Accountancy from The Hong Kong Polytechnic University. He is currently pursuing a Master of Science degree in Information System Management at Hong Kong University of Science and Technology. Mr. Kao is a Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. He is also a Certified Financial Planner Certificant granted by the Institute of Financial Planners of Hong Kong.

Mr. Yu Yuen Mau, Banny (余遠茂), aged 51, was appointed as Executive Director in September 2013 and the director of certain subsidiaries of the Company. He is responsible for the global operations. He has over 27 years of experience in the apparel industry. Mr. Yu had worked for Comitex Knitters Limited as quality control supervisor from October 1988 to June 1990. From June 1990 to September 1998, Mr. Yu served as merchandiser, senior merchandiser, sampling department manager and lastly as the assistant general production manager of Kindon Garment (H.K.) Limited. Mr. Yu is currently the chairman of Hong Kong Apparel Society Limited and a member of Hong Kong Trade Development Council Garment Advisory Committee.

Mr. Yu obtained a higher certificate in apparel merchandising from The Hong Kong Polytechnic University and an Executive Master of Business Administration degree at City University of Hong Kong.

Independent Non-executive Directors

Mr. Chung Kwok Pan (鍾國斌), aged 52, was appointed as an independent Non-executive Director in June 2014. He is a member of each of the audit, compliance, remuneration, and nomination committee. He is responsible for advising on corporate governance. He has been responsible for the business management of Chungweiming Knitting Factory Limited since early 1988. Mr. Chung also has several social positions, including a member of the 5th Legislative Council of Hong Kong (Textile and Garment Sector), a member of the Advisory Committee on Textile & Clothing Industries, a director of The Chinese Manufacturers' Association of Hong Kong and a director of Hong Kong Brand Development Council. He was also a member of the 9th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference in 1998. Mr. Chung obtained a Bachelor's degree in Quantity Surveying from Robert Gordon's Institute of Technology, Scotland (currently known as Robert Gordon University, Aberdeen) in July 1986 and a Master degree in Business Administration from the University of Stirling, Scotland in May 1988.

Mr. Lai Kin Keung (黎建強), aged 65, was appointed as an independent Non-executive Director in June 2014. He is the chairman of the remuneration committee and a member of each of the audit, compliance, remuneration and nomination committee. He is responsible for advising on corporate governance, connected transactions and other corporate and compliance matters. Mr. Lai has been an independent non-executive director of Kate China Holdings Limited, the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8125), from July 2014 to November 2015 and Zoomlion Heavy Industry Science & Technology Development Co., Ltd., a company listed on the Stock Exchange and Shenzhen Stock Exchange (stock code: 1157 (H shares); 000157 (A shares)) since July 2015. He obtained the degree of Doctor of Philosophy in Civil Engineering from Michigan State University, US. Mr. Lai is the founding chairman of the Operational Research Society of Hong Kong. He is a Certified Senior Enterprise Risk Manager of Asia Association of Risk and Crisis Management, a member of the Hong Kong Professionals and Senior Executives Association, a fellow of The Hong Kong Institute of Directors and a fellow of Asia Pacific Industrial Engineering and Management Society. He was the dean of the College of Business Administration at Hunan University from February 2005 to February 2008. Mr. Lai was also a member of the 10th Hunan Provincial Committee of Chinese People's Political Consultative Conference in 2008. Mr. Lai currently serves as the president of the Asia Association of Risk and Crisis Management and serves as the chair professor of management science at City University of Hong Kong.

Mr. Ng Ming Yuen, John (吳明遠), aged 60, was appointed as an independent Non-Executive director in June 2014. He is the chairman of the audit committee and a member of each of the audit, compliance and nomination committee. He is responsible for advising on corporate governance. He obtained a Bachelor's degree in Economics from Salford University, United Kingdom and a Master's degree in Business Administration from The University of Warwick, United Kingdom. He became a fellow member of the Association of Chartered Certified Accountants in 1999 and qualified as a certified financial planner in 2008. From August 1994 to May 1996, Mr. Ng served as finance manager and senior manager of Yuanta Securities (Hong Kong) Company Limited (a wholly-owned subsidiary of Yuanta Financial Holding Company Limited, a company listed on the Taiwan Stock Exchange (stock code: 2855)). From August 1996 to February 1998, Mr. Ng served as project manager in charge of Agents & Associates business unit of TNT Express Worldwide (HK) Ltd (a wholly-owned subsidiary of TNT Express NV, a company listed on the Amsterdam Stock Exchange (ticker: TNTE)). Mr. Ng has been serving as chief executive officer and principal consultant of Able Consulting Limited since October 1998.

Senior Management

Ms. Lo Sau Ying (盧秀英) is a senior merchandising manager of the Group. Ms. Lo has extensive experience in merchandising and is responsible for the Group's international marketing in exploring and enhancing the existing and new global markets. Previously, Ms. Lo had worked for various multinational companies.

Ms. Lo obtained an advanced diploma in clothing studies and merchandising from The Hong Kong Institution of Textile and Apparel and obtained a diploma in fashion design from School of Professional and Continuing Education of The University of Hong Kong.

Mr. Cheung Chun Kong (張鎮剛) is a senior merchandising manager of the Group. Mr. Cheung has extensive experience in merchandising, sales and marketing and is responsible for the Group's supply chain management. Previously, Mr. Cheung had worked for various multinational companies.

Corporate Governance Report

Save as disclosed below, the Directors believe that the Company complied with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the Reporting Period.

During the Reporting Period, the Company held two full board meetings instead of at least four full board meetings as required under Code Provision A.1.1. The Directors consider it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors. The Directors will review the Company's corporate governance policies and compliance with the Code Provisions from time to time.

Directors

The Board

The Board, led by the Chairman of the Company, is responsible for leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The Board has delegated to the Senior Management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including approving and monitoring all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Daily management and administration functions are delegated to the management. The Board delegated various responsibilities to the Senior Management of the Company. These responsibilities include implementing decisions of the Board, directing and co-ordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operation and production plans and budgets, and supervising and monitoring the internal control systems.

The Chairman of the Board held one meeting with the Independent Non-executive Directors without the Executive Directors present for the Reporting Period.

At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

For the Reporting Period, the board held two formal meetings. Attendance of individual Directors at the Board meetings for the Reporting Period is as follows:

Name of Director		Attendance/ Number of Board Meetings held
Executive Directors:		
Mr. Cheng Lap Yin	*(Chairman)*	2/2
Mr. Liu Chung Tong	*(Deputy Chairman)*#	2/2
Mr. Liu Ying Yin, James	*(Managing Director)**	1/2
Mr. Kao Lap Shing	*(Financial Controller)*	2/2
Mr. Yu Yuen Mau, Banny		1/2
Independent Non-executive Directors:		
Mr. Chung Kwok Pan		2/2
Mr. Lai Kin Keung		2/2
Mr. Ng Ming Yuen, John		2/2

\# Appointed as Managing Director on 20 January 2016

* Resigned as Managing Director on 20 January 2016

The Company Secretary keeps the Board minutes of the Company for inspection by the Director.

For the Reporting Period, apart from the meetings of the Board, approval from the Board had also been obtained by written resolutions on a number of matters.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Cheng Lap Yin while the Managing Director of the Company is Mr. Liu Chung Tong. The Company has complied with Code Provision A.2.1 of the CG Code which stipulates that the roles of Chairman and Chief Executive should be separated and should not be performed by the same individual.

Board Composition

During the year ended 31 December 2015 and up to the date of this report, the Board comprises eight Directors, including five Executive Directors and three Independent Non-executive Directors as set out below:

Name of Director		Membership of Board Committee(s)
Executive Directors:		
Mr. Cheng Lap Yin	*(Chairman)*	Chairman of Nomination Committee Member of Remuneration Committee
Mr. Liu Chung Tong	*(Deputy Chairman)#*	Chairman of Compliance Committee
Mr. Liu Ying Yin, James	*(Managing Director)**	Member of Nomination Committee
Mr. Kao Lap Shing	*(Financial Controller)*	Member of Compliance Committee
Mr. Yu Yuen Mau, Banny		N/A
Independent Non-executive Directors:		
Mr. Ng Ming Yuen, John		Chairman of Audit Committee Member of Nomination Committee Member of Compliance Committee
Mr. Lai Kin Keung		Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee Member of Compliance Committee
Mr. Chung Kwok Pan		Member of Audit Committee Member of Remuneration Committee Member of Nomination Committee Member of Compliance Committee

\# Appointed as Managing Director on 20 January 2016

* Resigned as Managing Director on 20 January 2016

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. In addition, pursuant to Rules 3.10A and 3.10(2) of the Listing Rules, every listed issuer is required to have such number of independent non-executive directors representing at least one-third of the board, and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. Ng Ming Yuen, John is a fellow member of the Association of Chartered Certified Accountants (FCCA) and certified financial planner. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the Independent Non-executive Directors and considered that all the Independent Non-executive Directors are independent.

The biographies of the Directors are set out on pages 17 to 19 of this annual report. Save as disclosed in the biographies of the Directors, the Board members do not have any family, financial or business relationship with each other.

The list of Directors identifying their role and function has been published on the website of the Company and the website of the Stock Exchange, and is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Company has arranged appropriate Directors and Officer's liability insurance cover in respect of legal action against the Directors.

Appointment, Re-election and Removal of Directors

Each of the Executive Directors has entered into a service contract with the Company, and each of the Independent Non-executive Directors has signed a letter of appointment with the Company. Such term is for an initial term of three years commencing from the Listing Date and is subject to the re-appointment of each of the Directors by the Company at an annual general meeting upon retirement.

In accordance with the Company's Articles of Association, all the Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. Any new Director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting and any new Director appointed by the Board as an addition to the existing Board shall submit himself/herself for re-election by Shareholders at the next following annual general meeting.

Continuous Professional Development

In compliance with Code Provision A.6.5, the Company will arrange for, and provide fund for, all the Directors to participate in continuous professional development organised in the form of in-house training, seminars or other appropriate courses to keep them refresh of their knowledge, skill and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the Listing Rules and corporate governance practices from time to time.

All Directors have complied with the Code Provisions in relation to continuous professional development. This has involved various forms of activities including attending presentations given by external professional advisors and reading materials relevant to the Company's business, Director's duties and responsibilities. The Company will continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records provided by the Directors to the Company, each of the Directors has complied with the Code Provisions in relation to continuous professional development to update and refresh their knowledge and skills. A summary of trainings received by the Directors for the Reporting Period is as follows:

Name of Director		Attending seminar and reading materials
Executive Directors:		
Mr. Cheng Lap Yin	*(Chairman)*	√
Mr. Liu Chung Tong	*(Deputy Chairman)*#	√
Mr. Liu Ying Yin, James	*(Managing Director)**	√
Mr. Kao Lap Shing	*(Financial Controller)*	√
Mr. Yu Yuen Mau, Banny		√
Independent Non-executive Directors:		
Mr. Chung Kwok Pan		√
Mr. Lai Kin Keung		√
Mr. Ng Ming Yuen, John		√

Appointed as Managing Director on 20 January 2016

* Resigned as Managing Director on 20 January 2016

Directors' Securities Transactions

The Company has adopted the standard set out in Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) (the "Model Code") to the Listing Rules as its own code of conduct, in relation to the dealings in securities of the Company by the Directors on terms no less exacting than the required standard of dealings.

Having made specific enquiry of all Directors, each Director has confirmed that he has complied with the standard set out in the Model Code for the Reporting Period and up to the date of this annual report.

Board Committees

Nomination Committee

The Nomination Committee was established on 20 June 2014 with specific written terms of reference in compliance with Code Provision A.5 of the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and Senior Management. The existing members of the Nomination Committee include Mr. Chung Kwok Pan, Mr. Lai Kin Keung and Mr. Ng Ming Yuen, John, all are Independent Non-executive Directors, and Mr. Cheng Lap Yin and Mr. Liu Ying Yin, James both are Executive Directors. Mr. Cheng Lap Yin is the Chairman of the Nomination Committee.

The Company continuously seeks to enhance the effectiveness of the Board and to maintain a high standard of corporate governance and recognises and embraces the benefits of diversity in the composition of the Board. The Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, knowledge, gender, age, cultural and educational background or professional experience. In forming its perspective on diversity, the Company will also take into account of factors based on its own business model and specific needs from time to time.

The Nomination Committee will continue to review the diversity policy of the Board from time to time to ensure its continued effectiveness.

For the Reporting Period, the Nomination Committee held one meeting. Attendance of individual members of the Nomination Committee is as follows:

Name of Director		Attendance/ Number of meetings held
Mr. Cheng Lap Yin	*(Chairman)*	1/1
Mr. Liu Ying Yin, James		1/1
Mr. Chung Kwok Pan		1/1
Mr. Lai Kin Keung		1/1
Mr. Ng Ming Yuen, John		1/1

The terms of reference of the Nomination Committee is available on the website of the Company and the website of the Stock Exchange. The work performed by the Nomination Committee during the Reporting Period included review the appropriateness of management appointment.

Remuneration Committee

The Remuneration Committee was established on 20 June 2014 with specific written terms of reference in compliance with Rule 3.26 of the Listing Rules and Code Provision B.1 of the CG Code. The functions of this committee include the formulation and the recommendation to the Board on the Company's policies and structures for the remuneration of all of the Directors and Senior Management of the Company, the establishment of a formal and transparent procedure for developing policy on remuneration, the determination of specific remuneration packages of all Executive Directors and Senior Management in the manner specified in the terms of reference, the recommendation to the Board of the remuneration of Non-executive Directors, review and approval of performance- based remuneration, and review and recommendation to the Shareholders as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the prior approval of the Shareholders in any general meeting pursuant to the Listing Rules. The existing members of the Remuneration Committee include Mr. Lai Kin Keung and Mr. Chung Kwok Pan, both are Independent Non-executive Directors, and Mr. Cheng Lap Yin, an Executive Director. Mr. Lai Kin Keung is the Chairman of the Remuneration Committee.

For the Reporting Period, the Remuneration Committee held one meeting. Attendance of individual members of the Remuneration Committee is as follows:

Name of Director		Attendance/ Number of meetings held
Mr. Lai Kin Keung	*(Chairman)*	1/1
Mr. Cheng Lap Yin		1/1
Mr. Chung Kwok Pan		1/1

The terms of reference of the Remuneration Committee is available on the website of the Company and the website of the Stock Exchange.

The work performed by the Remuneration Committee during the Reporting Period included determining the policy for the remuneration of Executive Directors, assess performance of Executive Directors, review remuneration package of the Directors and other Senior Management.

Audit Committee

The Audit Committee was established on 20 June 2014 with specific written terms of reference in compliance with Rule 3.22 of the Listing Rules and Code Provision C.3 of the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. The existing members of the Audit Committee comprise Mr. Ng Ming Yuen, John, Mr. Chung Kwok Pan and Mr. Lai Kin Keung, all of whom are Independent Non-executive Directors. Mr. Ng Ming Yuen, John is the Chairman of the Audit Committee.

This annual report has been reviewed by the Audit Committee.

For the Reporting Period, the Audit Committee held two meetings. Attendance of individual members of the Audit Committee is as follows:

Name of Director		Attendance/ Number of meetings held
Mr. Ng Ming Yuen, John	*(Chairman)*	2/2
Mr. Chung Kwok Pan		2/2
Mr. Lai Kin Keung		2/2

The terms of reference of the Audit Committee is available on the website of the Company and the website of the Stock Exchange.

The work performed by the Audit Committee during the Reporting Period was summarised below:

— Review and discussion of the interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;

— Review and discussion of the internal control system of the Group;

— Discussion and recommendation of the re-appointment of external auditor; and

Full minutes of the Audit Committee are kept by the Company Secretary.

Corporate Governance Function

The Board is responsible for ensuring that the Company shall establish comprehensive corporate governance practices and procedures during the Reporting Period, the Board has:

(1) established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;

(2) reviewed and monitored the training and continuous development of the Directors and Senior Management;

(3) reviewed and monitored the policies and practices of the Company regarding the compliance of relevant legal and regulatory requirements;

(4) established, reviewed and monitored code of conduct for Directors and employees; and

(5) reviewed as to whether the Company has complied with the CG Code and made necessary disclosures in the annual report.

This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

Remuneration of the Senior Management

Pursuant to Code Provision B.1.5 of the CG code, the remuneration of the Senior Management by band for the Reporting Period is set out as below:

Band of remuneration (HK$)	No. of person
HK$1,000,000 and below	4
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1
Over HK$2,000,000	0

Further details of the remuneration of Directors and five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 to the financial statements.

Accountability and Audit

Financial Reporting

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

All Directors acknowledge their responsibility for preparing the financial statements of the Group for the Reporting Period. Currently, the Company's external auditors are Ernst & Young (the "Auditors").

The Board is also responsible for presenting a balanced and clear assessment of the Group's performance and prospects. Management of the Company provides all relevant information to the Board, giving its members sufficient explanation and information that it needs to discharge its responsibilities.

For the Reporting Period, the fees paid or payable to the Auditors is set out as follows:

	Fees paid/payable HK$'000
Audit service	1,270
Non-audit services	451
Total	1,721

Risk Management and Internal Controls

A sound and effective risk management and internal control system is important to safeguard the Shareholders' investment and the Group's assets. The Board, through the Audit Committee, had reviewed the effectiveness and adequacy of the control system of the Group's internal control, including financial, operational and compliance controls and risk management function.

Delegation by the Board

In general, the Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

Company Secretary

Mr. Kao Lap Shing, the Company Secretary appointed by the Board and an employee of the Company; in the opinion of the Board, possesses the necessary qualifications and experience, and is capable of performing the functions of a company secretary. For the Reporting Period, Mr. Kao has taken 15 hours of professional training. The Company will continue to provide funds for Mr. Kao to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

Communication with Shareholders

The Board recognised the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognised that effective communication with the Company's investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the Shareholders and the investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the website of the Company.

In respect of each matter to be considered at the annual general meetings and extraordinary general meetings, including the re-election of Directors, a separate resolution will be proposed by the Chairman of the Board. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

Members of the Board and Chairmen of various Board Committees will attend the forthcoming annual general meeting of the Company to be held on Friday, 3 June 2016 at 10:30 a.m. (the "AGM") to answer questions raised by the Shareholders. Pursuant to Code Provision E.1.2, the Company will invite representatives of the Auditors to attend the AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Shareholders' Rights

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles of Association.

The summary of certain rights of the Shareholders are disclosed below:

Procedures for convening extraordinary general meetings and putting forward proposals at general meetings

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Company's Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the principal place of business in Hong Kong of the Company marked with the attention of the Company Secretary. The requisitionist(s) must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionist(s). Upon receipt, the Company will verify the particulars of requisitionist(s) and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles of Association.

Procedures for proposing a person for election as a Director

The procedures for proposing a person for election as a Director are posted under the Investor Relations section of the Company's website at www.hanbo.com.

Company's contact details

Shareholders and other stakeholders may send their enquiries, concerns and requisitions to the Board by addressing them to the Company Secretary of the Company at the principal place of business in Hong Kong at Flat A & B, 9/F., Tontex Industrial Building, 2–4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong, or by email to ir@hanbo.com, or by phone at (852) 2352 9927.

Changes in the Company's Constitutional Documents

Pursuant to a special resolution of the Shareholders passed on 20 June 2014, the amended and restated Memorandum and Articles of Association of the Company were adopted with effect from the Listing Date. Save as disclosed above, for the Reporting Period, there was no significant change in the Memorandum and Articles of Association of the Company.

The amended and restated Memorandum and Articles of Association of the Company are available on the website of the Stock Exchange and the website of the Company.

Report of the Directors

The Directors present this report together with the audited financial statements of the Group for the year ended 31 December 2015.

Principal Activities and Business Review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in sections headed "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 7 to 9 and pages 12 to 16, respectively, to this annual report. This discussion forms part of this Report of the Directors.

Financial Results

The results of the Group for the year ended 31 December 2015 and the financial position of the Group as at that date are set out in the financial statements on pages 41 to 94.

Dividend

The Board of the Company does not recommend the payment of any dividend in respect of the year.

Closure of Register of Members

The Company's forthcoming AGM will be held at 22/F., United Centre, 95 Queensway, Hong Kong on Friday, 3 June 2016 at 10:30 a.m..

The register of members of the Company will be closed from Thursday, 2 June 2016 to Friday, 3 June 2016 both dates inclusive, during which period no transfer of Shares will be registered, for ascertaining Shareholder's entitlement to attend the forthcoming AGM to be held on Friday, 3 June 2016. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 June 2016.

Use of Proceeds

On 11 July 2014, the Company was successfully listed on the Main Board of the Stock Exchange. As stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group intends to use the proceeds for (i) enhancement of the Group's design and development capability; (ii) expansion of the Group's network of third-party manufacturers; (iii) product type expansion; (iv) enhancement of the information technology system and upgrading of the Group's enterprise resource planning system; and (v) working capital and other general corporate purposes. The Company has applied the net proceeds in accordance with the proposed applications set out above.

The highlights of the use of proceeds during the Reporting Period is as follows:

(i) Approximately HK$1.6 million was incurred in setting up and operating Vietnam and Indonesia offices. Sales during the Reporting Period through factories managed and coordinated by these two offices amounted to approximately HK$35.7 million.

(ii) A marketing consultant was engaged to develop the European, South American and Russia markets. Total consulting fee paid during the Reporting Period was EUR24,000 (equivalent to approximately HK$207,000).

(iii) A handbag/accessories team was set up and first shipment began in July 2015. Total sales during the Reporting Period was approximately HK$2.1 million.

(iv) An agreement was reached with an IT service provider to enhance the IT and communications infrastructures and to relocate the email servers and enterprise resource planning system to the cloud. Total cost of acquisition of equipment and usage fee paid to this service provider during the Reporting Period was approximately HK$1.1 million. Besides, a mobile application, namely Hanbo Link, has been launched during the Reporting Period to improve the transparency of order status.

Financial Summary

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements or published Prospectus of the Company, is set out on page 6 of this annual report. This summary does not form part of the audited financial statements.

Share Capital

There were no movements in the Company's share capital during the Reporting Period.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Pre-Emptive Rights

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Distributable Reserves

As at 31 December 2015, the Company's reserve available for distribution, calculate with the Companies Law of the Cayman Islands, amounted to HK$34,564,000. The amount of HK$34,564,000 includes the Company's share premium and capital reserve, net of accumulated losses which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, if any, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Donations

During the Reporting Period, the Group made charitable donations totalling HK$70,000.

Major Customers and Suppliers

Sales to the Group's largest and five largest customers accounted for approximately 18.9% and 72.9% of the total revenue for the year. Purchases from the Group's largest and five largest suppliers, which comprise third-party manufacturers, accounted for approximately 14.3% and 73.1% of the total purchases for the year.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Directors

The Directors of the Company during the year and up to the date of this annual report are:

Executive Directors

Mr. Cheng Lap Yin	*(Chairman)*
Mr. Liu Chung Tong	*(Deputy Chairman)*#
Mr. Liu Ying Yin, James	*(Managing Director)**
Mr. Kao Lap Shing	*(Financial Controller)*
Mr. Yu Yuen Mau, Banny	

Independent Non-executive Directors

Mr. Chung Kwok Pan
Mr. Lai Kin Keung
Mr. Ng Ming Yuen, John

Appointed as Managing Director on 20 January 2016

* Resigned as Managing Director on 20 January 2016

Pursuant to Articles 84(1) and 84(2) of the Articles of Association, one-third of the Directors shall retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent Non-executive Directors and as at the date of this report still considers them to be independent.

Biographies of Directors and Senior Management

Biographical details of the Directors and the Senior Management of the Company are set out at pages 17 to 19 of this annual report.

Directors' Service Contracts

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing from 20 June 2014, and such service contracts may be terminated in accordance with the terms of the service contracts, including by either party giving to the other party not less than three months' advance written notice of termination.

Each of the Independent Non-executive Directors has been appointed to the Board pursuant to their respective letters of appointment, for an initial term of three years commencing from 20 June 2014, and such appointment may be terminated in accordance with the terms of the letters of appointment, including by either party giving to the other party not less than three months' advance written notice of termination.

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

Directors' Remuneration

The Directors' fees are subject to Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

A summary of the Directors' remuneration is set forth in note 8 to the financial statements.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed under the section headed "Exempt Continuing Connected Transactions" on page 37 of this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company's subsidiaries was a party during the year.

Management Contracts

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

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company

As at 31 December 2015, the Directors and Chief Executive of the Company and their associates had the following interests in the Shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Shareholding Percentage
Mr. Liu Ying Yin, James[(1)]	Interest of a controlled corporation	156,060,000	32.51%
Mr. Cheng Lap Yin[(2)]	Beneficial owner	165,600,000	34.50%
Mr. Liu Chung Tong[(3)]	Interest of a controlled corporation	18,360,000	3.82%
Mr. Kao Lap Shing	Beneficial owner	9,180,000	1.91%
Mr. Yu Yuen Mau, Banny	Beneficial owner	10,800,000	2.25%

Notes:

1. Happy Zone Limited, which is solely and beneficially owned by Mr. Liu Ying Yin, James, is the beneficial owner of 156,060,000 Shares. By virtue of the SFO, Mr. Liu Ying Yin, James is deemed to be interested in all of the Shares held by Happy Zone Limited.

2. Mr. Cheng Lap Yin is the Chairman of the Company.

3. Capital Oasis Holdings Limited, which is solely and beneficially owned by Mr. Liu Chung Tong, is the beneficial owner of 18,360,000 Shares. By virtue of the SFO, Mr. Liu Chung Tong is deemed to be interested in all of the Shares held by Capital Oasis Holdings Limited.

Save as disclosed above, as at 31 December 2015, none of the Directors or Chief Executive of the Company or their respective associates had registered an interest or short position in the Shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or was required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") which became effective on 11 July 2014. The purpose of the Share Option Scheme is to motivate certain eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationship with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contribution. Eligible participants of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part-time employee), a Director or proposed Director (including an Independent Non-executive Director), a direct or indirect shareholder of any member of the Group and an associate of any of the aforementioned persons.

The maximum number of the Shares which may be issued under the Share Option Scheme and any other schemes of the Company must not exceed 48,000,000 Shares, representing 10% of the total number of Shares in issue at the time dealings in the Shares first commenced on the Stock Exchange.

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one eligible participant (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued Shares unless approved in advance by the shareholders of the Company in general meeting with such eligible person and his close associates (as defined in the Listing Rules) (if such eligible person is a connected person) abstaining from voting.

Any offer of an option under the Share Option Scheme proposed to be made to a Director, Chief Executive or substantial shareholder of the Company or to any of their respective associates must be approved by the Independent Non-executive Directors (excluding Independent Non-executive Director who or whose associate is the grantee of the option). In addition, where any grant of option to a substantial shareholder (as defined in the Listing Rules) or an Independent Non-executive Director or to any of their respective associates which will result in the relevant class of securities in issue and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such a person in the 12-month period up to and including the date of such grant in excess of 0.1% of the relevant class of securities in issue or with an aggregate value (based on the closing price of the securities at the date of grant) in excess of HK$5,000,000, such further grant of options is subject to approval by the shareholders of the Company in general meeting, with such person, his associates and the core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

The offer of a grant of options under the Share Option Scheme may be accepted within 30 days from the date of the offer and by payment of HK$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance to the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of ten years from 20 June 2014.

The exercise price is determined by the Directors and shall be at least the highest of: (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

As at 31 December 2015, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 December 2015.

Contracts of Significance

Save as disclosed in note 30 to the financial statements, no contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company

As at 31 December 2015, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than Directors or Chief Executive of the Company), who had interests or short positions in the Shares, the underlying Shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows.

Long positions in the Shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Shareholding Percentage
Happy Zone Limited[(1)]	Beneficial owner	156,060,000	32.51%

Note:

1. Happy Zone Limited, which is solely and beneficially owned by Mr. Liu Ying Yin, James, is the beneficial owner of 156,060,000 Shares. By virtue of the SFO, Mr. Liu Ying Yin, James is deemed to be interested in all of the Shares held by Happy Zone Limited.

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

Exempt Continuing Connected Transactions

During the year, the Group had the following continuing connected transactions which are exempt from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules and are included herein for information only.

(1) Tenancy agreements with Action Win Industrial Limited ("Action Win")

Action Win has agreed to lease to the Group the properties at Workshop B, 9/F Tontex Industrial Building, Nos. 2–4 Sheung Hei Street, Kowloon, Hong Kong and 12/F., Block C & D and roof, Lee Ka Industrial Building, San Po Kong, Kowloon, Hong Kong, with a gross floor area of approximately 4,290 sq. ft. and saleable area 4,491 sq. ft. (plus roof area 4,400 sq. ft.), respectively, for terms of five years for storage use.

Action Win (which is beneficially owned as to 98.32% by Mr. Liu Ying Yin, James through Othello Group Limited) is an associate of Mr. Liu Ying Yin, James (an Executive Director) under the Listing Rules and is therefore a connected person of our Company as defined under the Listing Rules.

For the year ended 31 December 2015, the annual rental paid by the Group to Action Win was approximately HK$569,000.

(2) Tenancy agreement with Liu & Cheng (Cambodia) Ltd. ("Liu & Cheng")

Liu & Cheng has agreed to lease to the Group the property at No. 45 A7A8A9, Russian Boulevard, Prey Tea Village, Sangkat Choam Chau, Khan Porsenchey, Phnom Penh, Cambodia with gross floor area of approximately 10,785.43 sq. ft. for a term of three years for office use.

Liu & Cheng (which is owned as to 51.0% by Mr. Liu Ying Yin, James and as to 49.0% by Mr. Cheng Lap Yin) is an associate of each of Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin (an Executive Director) under the Listing Rules and is therefore a connected person of our Company as defined under the Listing Rules.

For the year ended 31 December 2015, the rental paid by the Group to Liu & Cheng was approximately HK$233,000.

(3) Agreement granting the right of use of property with Herotime Clothing (Shenzhen) Co. Limited ("Herotime Shenzhen") (as grantor)

Herotime Shenzhen granted to the Group the right to use approximately 75.0% of Floor 5 Guangming Furniture Industrial Building, Industry Road, Shatoujiao, Yantian District, Shenzhen, the PRC with a gross floor area of approximately 1,250 sq. m (the "SZ Facilities") as office and sample room for nil consideration. The reason for nil consideration is that further sub-letting by Herotime Shenzhen is not permitted under the relevant PRC leasing regulations and any payment of rent for use of the SZ Facilities may deem the grant of the right to use a property as further sub-letting. As advised by our PRC Legal Advisers, the arrangement to grant the right to use the SZ Facilities for nil consideration by Herotime Shenzhen is permitted under the PRC law.

Herotime Shenzhen (which is wholly owned by Herotime Holdings (HK) Limited, which is wholly owned by Herotime Holdings Limited, which in turn is owned as to 51.0% by Mr. Liu Ying Yin, James and as to 49.0% by Mr. Cheng Lap Yin) is an associate of each of Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin under the Listing Rules and is therefore a connected person of our Company as defined under the Listing Rules.

For the year ended 31 December 2015, no rental amounts were paid to Herotime Shenzhen in relation to the right to use of SZ Facilities granted by Herotime Shenzhen.

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Sufficiency of Public Float

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

Deed of Non-Competition

The Company has received the written confirmations from Mr. Liu Ying Yin, James, Happy Zone Limited and Mr. Cheng Lap Yin in respect of the compliance with the provisions of the deed of non-competition ("Deed of Non-competition"), entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" of the Prospectus, during the year and up to the date of this annual report.

The Independent Non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms during the year and up to the date of this annual report.

Permitted Indemnity Provisions

At no time during the year and up to the date of this Report of the Directors, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 20 to 29 of this annual report.

Auditors

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

Audit Committee and Review of Financial Statements

The Company established an audit committee ("Audit Committee") with written terms of reference which deal clearly with its authority and duties. Amongst the committee's principal duties is to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including review of the audited financial statements of the Group for the year ended 31 December 2015. The financial statements for the year ended 31 December 2015 have been audited by the Company's external auditors, Ernst & Young.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Ng Ming Yuen, John, Mr. Chung Kwok Pan and Mr. Lai Kin Keung. Mr. Ng Ming Yuen, John is the Chairman of the Audit Committee.

By order of the Board
Cheng Lap Yin
Chairman

Hong Kong, 29 March 2016

Independent Auditors' Report

To the shareholders of Hanbo Enterprises Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hanbo Enterprises Holdings Limited (the "Company") and its subsidiaries set out on pages 41 to 94, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

Opinion

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

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
29 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**355,952**	334,819
Cost of sales		**(296,503)**	(280,411)
Gross profit		**59,449**	54,408
Other income and gain	5	**6,327**	2,099
Selling and distribution costs		**(1,863)**	(2,163)
Administrative expenses		**(62,198)**	(57,742)
Fair value loss on a financial investment at fair value through profit or loss		**(59)**	(238)
Other expenses, net		**(5,781)**	(13,075)
Finance costs	6	**(253)**	(92)
LOSS BEFORE TAX	7	**(4,378)**	(16,803)
Income tax expense	10	**(989)**	(1,036)
LOSS FOR THE YEAR		**(5,367)**	(17,839)
Attributable to owners of the Company		**(5,367)**	(17,839)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	**HK(1.12) cents**	HK(4.28) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
LOSS FOR THE YEAR	**(5,367)**	(17,839)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(305)**	42
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(305)**	42
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(5,672)**	(17,797)
Attributable to owners of the Company	**(5,672)**	(17,797)

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,948**	6,038
Other receivable	16	**5,859**	—
Total non-current assets		**11,807**	6,038
CURRENT ASSETS			
Inventories	14	**161**	2,179
Trade and bills receivables	15	**32,297**	40,548
Prepayments, deposits and other receivables	16	**58,389**	60,347
Financial investment at fair value through profit or loss	17	**—**	18,797
Cash and cash equivalents	18	**81,689**	64,160
Tax recoverable		**173**	1,042
Total current assets		**172,709**	187,073
CURRENT LIABILITIES			
Trade and bills payables	19	**31,530**	30,997
Other payables and accruals	20	**8,032**	12,029
Interest-bearing bank and other borrowings	21	**462**	1,316
Due to a related company	30(c)	**325**	—
Tax payable		**6,986**	6,087
Total current liabilities		**47,335**	50,429
NET CURRENT ASSETS		**125,374**	136,644
TOTAL ASSETS LESS CURRENT LIABILITIES		**137,181**	142,682
NON-CURRENT LIABILITIES			
Other payables and accruals	20	**455**	537
Interest-bearing other borrowing	21	**244**	—
Deferred tax liabilities	23	**53**	44
Total non-current liabilities		**752**	581
Net assets		**136,429**	142,101
EQUITY			
Equity attributable to owners of the Company			
Issued capital	24	**4,800**	4,800
Reserves	25	**131,629**	137,301
Total equity		**136,429**	142,101

Cheng Lap Yin
Director

Liu Chung Tong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 Note 25(c)	Exchange fluctuation reserve HK$'000	Legal reserve HK$'000 Note 25(a)	Merger reserve HK$'000 Note 25(b)	Retained profits HK$'000	Total equity HK$'000
		Attributable to owners of the Company							
At 1 January 2014		–	–	7,512	(65)	49	8,417	88,829	104,742
Loss for the year		–	–	–	–	–	–	(17,839)	(17,839)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		–	–	–	42	–	–	–	42
Total comprehensive income/(loss) for the year		–	–	–	42	–	–	(17,839)	(17,797)
Capital contribution from the Controlling Shareholders		–	–	2,559	–	–	–	–	2,559
Interim dividends to the then shareholders	11	–	–	–	–	–	–	(1,076)	(1,076)
Capitalisation issue of Shares upon the Listing	24(c)	3,600	(3,600)	–	–	–	–	–	–
Issue of Shares upon the Listing	24(d)	1,200	61,200	–	–	–	–	–	62,400
Share issue expenses		–	(8,727)	–	–	–	–	–	(8,727)
At 31 December 2014		4,800	48,873*	10,071*	(23)*	49*	8,417*	69,914*	142,101

	Notes	**Issued capital HK$'000**	**Share premium HK$'000**	**Capital reserve HK$'000 Note 25(c)**	**Exchange fluctuation reserve HK$'000**	**Legal reserve HK$'000 Note 25(a)**	**Merger reserve HK$'000 Note 25(b)**	**Retained profits HK$'000**	**Total equity HK$'000**
		Attributable to owners of the Company							
At 1 January 2015		**4,800**	**48,873**	**10,071**	**(23)**	**49**	**8,417**	**69,914**	**142,101**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(5,367)**	**(5,367)**
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**(305)**	**–**	**–**	**–**	**(305)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(305)**	**–**	**–**	**(5,367)**	**(5,672)**
At 31 December 2015		**4,800**	**48,873***	**10,071***	**(328)***	**49***	**8,417***	**64,547***	**136,429**

* These reserve accounts comprise the consolidated reserves of HK$131,629,000 (2014: HK$137,301,000) in the consolidated statement of financial position as at 31 December 2015.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(4,378)**	(16,803)
Adjustments for:			
Bank interest income	5	**(487)**	(171)
Imputed interest income on non-interest-bearing financial arrangement	5	**(51)**	—
Finance costs	6	**253**	92
Depreciation	7	**1,562**	1,439
Fair value loss on a financial investment at fair value through profit or loss	7	**59**	238
Impairment of trade receivables	7	**534**	228
Impairment of other receivable	7	**939**	—
Provision for slow-moving inventories	7	**2,358**	—
Gain on disposal of an item of property, plant and equipment	7	**—**	(1)
Loss on non-interest-bearing financial arrangement	7	**392**	—
		1,181	(14,978)
Increase in inventories		**(372)**	(1,969)
Decrease in trade and bills receivables		**7,716**	26,010
Decrease/(increase) in prepayments, deposits and other receivables		**995**	(9,241)
Increase in trade and bills payables		**533**	222
Decrease in other payables and accruals		**(4,028)**	(1,127)
Increase in an amount due to a related company		**336**	—
Cash generated from/(used in) operations		**6,361**	(1,083)
Interest received		**487**	171
Hong Kong profits tax refunded/(paid)		**788**	(2,189)
Net cash flows from/(used in) operating activities		**7,636**	(3,101)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(1,101)**	(1,292)
Proceed from disposal of an item of property, plant and equipment		**–**	3
Purchase of a financial investment at fair value through profit or loss		**–**	(19,035)
Proceed from disposal of a financial investment at fair value through profit or loss		**18,738**	–
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**17,562**	(18,796)
Advance of loan to a third-party manufacturer		**(6,200)**	–
Repayment of loans to third-party manufacturers		**–**	1,664
Net cash flows from/(used in) investing activities		**28,999**	(37,456)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of Shares	24	**–**	62,400
Share issue expenses		**–**	(8,727)
Capital contribution from Controlling Shareholders		**–**	2,559
New trust receipt loans		**119,336**	157,828
Repayment of trust receipt loans		**(120,264)**	(169,387)
Capital element of finance lease rental payments		**(72)**	–
Dividend paid to Controlling Shareholders		**–**	(1,076)
Interest paid		**(253)**	(92)
Net cash flows from/(used in) financing activities		**(1,253)**	43,505
NET INCREASE IN CASH AND CASH EQUIVALENTS		**35,382**	2,948
Cash and cash equivalents at beginning of year		**45,364**	42,384
Effect of foreign exchange rate changes, net		**(250)**	32
CASH AND CASH EQUIVALENTS AT END OF YEAR		**80,496**	45,364
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**62,263**	37,864
Non-pledged time deposits	18	**19,426**	26,296
Cash and cash equivalents as stated in the consolidated statement of financial position		**81,689**	64,160
Less: Non-pledged time deposits with original maturity of more than three months when acquired	18	**(1,193)**	(18,796)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**80,496**	45,364

1. Corporate and Group Information

Hanbo Enterprises Holdings Limited was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Flat A & B, 9/F, Tontex Industrial Building, 2–4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong.

The Company's shares (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 July 2014 (the "Listing").

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in trading of apparel products and provision of apparel supply chain management services.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hanbo Enterprises Limited	Hong Kong/Mainland China	HK$10,000	100	–	Trading of apparel products and provision of apparel supply chain management services
Hanbo Enterprises Limited – Macao Commercial Offshore	Macao	MOP100,000	–	100	Trading of apparel products
Hanbo Enterprises (Holding) Limited	British Virgin Islands	US$50,000	100	–	Investment holding
Hanbo GSC (Cambodia) Ltd.*	Cambodia	KHR4,000,000,000	–	100	Provision of apparel supply chain management services
Superbo Trading Co. Limited	Hong Kong	HK$1,000,000	–	100	Property investment and provision of management services
Yibao Clothing (Shenzhen) Co., Ltd 億寶服裝(深圳)有限公司*#	People's Republic of China ("PRC")/ Mainland China	HK$8,870,000	–	100	Provision of apparel supply chain management services

* The statutory financial statements of this entity are not audited by Ernst & Young, Hong Kong or another member firm of Ernst & Young global network.

Yibao Clothing (Shenzhen) Co., Ltd. was registered as a wholly-foreign-owned enterprise under PRC law.

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

2.1 Reorganisation and Basis of Presentation

Pursuant to a reorganisation (the "Reorganisation") of the Company in connection with the Listing, the Company became the holding company of the companies comprising the Group on 17 June 2014. Since the Company and the companies now comprising the Group were under the common control of Mr. Liu Ying Yin, James, and Mr. Cheng Lap Yin (the "Controlling Shareholders") both before and after the Reorganisation, the Reorganisation was accounted for using the principles of merger accounting. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Company's prospectus dated 30 June 2014 (the "Prospectus").

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2014 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period.

2.2 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial investment at fair value through profit or loss, which had been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

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

2.2 Basis of Preparation (Continued)

Basis of consolidation (Continued)

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.3 Changes in Accounting Policies and Disclosures

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

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

The adoption of the above revised standards has had no significant financial effect on these financial statements.

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

2.4 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

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

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

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

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

4 Originally effective for annual periods beginning on or after 1 January 2016. This effective date has been deferred/removed and the adoption of the amendments continues to be permitted.

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.5 Summary of Significant Accounting Policies

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.5 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.5 Summary of Significant Accounting Policies (Continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.5 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

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

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

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

Leasehold land and building	2% or over the lease terms, whichever rate is higher
Leasehold improvements	Over the shorter of the lease term and 20%
Machinery and equipment	10%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	25%
Computer equipment	20% to 25%

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

2.5 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.5 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.5 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.5 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rework and compensation income, and other compensation income, when the right to receive payment has been established; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit of loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's operations in Macao are required to participate in a central social security scheme operated by the Macao Special Administrative Region government. The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the statement of profit of loss as they become payable in accordance with the rules of the central social security scheme.

2.5 Summary of Significant Accounting Policies (Continued)

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. Significant Accounting Judgements and Estimates

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions, including any potential tax liabilities. When the Group determines any transactions that may result in probable future tax outflows and the amount can be reliably measured, tax provisions are recorded accordingly. Such tax provision may not be indicative of the ultimate tax payment with tax authorities. The tax treatment of such transactions is considered periodically to take into account all changes in tax legislation.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services; the currency of the country/jurisdiction whose competitive forces and regulations mainly determine the sale prices of the entity's goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services.

Estimation uncertainty

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and write-down the carrying amounts of obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use to their respective net realisable value. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. Operating Segment Information

The Group focuses primarily on trading of apparel products and provision of the apparel supply chain management services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

During the year, approximately 92.6% (2014: 88.6%) of the Group's revenue from external customers, based on the locations of the products shipped to, were attributed to the United States of America. At the end of the reporting period, the non-current assets of the Group were located in:

	2015 **HK$'000**	2014 HK$'000
Hong Kong	**3,541**	3,512
Mainland China	**790**	303
Other countries	**7,476**	2,223
	11,807	6,038

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2015 **HK$'000**	2014 HK$'000
Customer A	**67,189**	78,382
Customer B	**45,573**	N/A*
Customer C	**63,804**	91,030
Customer D	**61,427**	49,217

* Less than 10% of revenue

5. Revenue, Other Income and Gain

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

An analysis of the Group's other income and gain is as follows:

	2015 HK$'000	2014 HK$'000
Other income		
Bank interest income	**487**	171
Sale of scrap materials	**188**	467
Rework and compensation income	**272**	1,278
Imputed interest income on a non-interest-bearing financial arrangement	**51**	—
Write-back of impairment of trade receivables	**1,415**	—
Compensation income from an insurance company	**2,712**	—
Sundry income	**1,202**	182
	6,327	2,098
Gain		
Gain on disposal of an item of property, plant and equipment	**—**	1
	6,327	2,099

6. Finance Costs

	2015 HK$'000	2014 HK$'000
Interest on bank loans	**235**	92
Interest on a finance lease	**18**	—
	253	92

7. Loss Before Tax

The Group's loss before tax is arrived at after charging:

	Note	2015 HK$'000	2014 HK$'000
Auditors' remuneration		**1,284**	1,382
Cost of inventories sold		**296,503**	280,411
Depreciation	13	**1,562**	1,439
Employee benefit expense (including directors' remuneration (note 8))			
— Wages and salaries, allowances, bonuses, commission and benefits in kind		**38,645**	35,572
— Pension scheme contributions (defined contribution schemes)#		**2,687**	2,845
		41,332	38,417
Foreign exchange differences, net		**665**	230
Fair value loss on a financial investment at fair value through profit or loss			
— Unrealised		**—**	238
— Realised		**59**	—
Impairment of trade receivables*	15	**534**	228
Impairment of other receivable*	16	**939**	—
Provision for slow-moving inventories*		**2,358**	—
Minimum lease payments under operating leases		**2,696**	2,299
Loss on a non-interest-bearing financial arrangement*		**392**	—

\# At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

* The balances were included in "Other expenses, net" in the consolidated statement of profit or loss.

8. Directors' Remuneration

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

	Group	
	2015	2014
	HK$'000	HK$'000
Fees	**600**	300
Other emoluments:		
Salaries and allowances	**6,009**	3,568
Pension scheme contributions	**72**	67
	6,081	3,635
	6,681	3,935

(a) Independent non-executive directors

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

	2015	2014
	HK$'000	HK$'000
Mr. Chung Kwok Pan	**200**	100
Mr. Lai Kin Keung	**200**	100
Mr. Ng Ming Yuen, John	**200**	100
	600	300

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

8. Directors' Remuneration (Continued)

(b) Executive directors

	Fees HK$'000	Salaries and allowances HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015				
Mr. Cheng Lap Yin	**—**	**947**	**18**	**965**
Mr. Liu Chung Tong	**—**	**1,729**	**18**	**1,747**
Mr. Liu Ying Yin, James	**—**	**733**	**—**	**733**
Mr. Kao Lap Shing	**—**	**1,300**	**18**	**1,318**
Mr. Yu Yuen Mau, Banny	**—**	**1,300**	**18**	**1,318**
	—	**6,009**	**72**	**6,081**
2014				
Mr. Cheng Lap Yin	—	827	17	844
Mr. Liu Chung Tong	—	725	17	742
Mr. Liu Ying Yin, James	—	650	—	650
Mr. Kao Lap Shing	—	669	16	685
Mr. Yu Yuen Mau, Banny	—	697	17	714
	—	3,568	67	3,635

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the year included five (2014: five) directors, details of whose remuneration are set out in note 8 above.

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

10. Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The subsidiary of the Company established in Mainland China is subject to the PRC corporate income tax at a standard rate of 25% (2014: 25%) during the year.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (2014: Nil).

Cambodian tax on profit has been provided at the rate of 20% (2014: 20%) on the taxable profits or a minimum tax of 1% (2014: 1%) of total revenues, whichever is higher, arising during the year.

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the year (2014: Nil).

	2015 **HK$'000**	2014 HK$'000
Current — Hong Kong		
Charge for the year	**102**	188
Overprovision in prior years	**(20)**	(45)
Current — Elsewhere		
Charge for the year	**898**	883
Deferred (note 23)	**9**	10
Total tax charge for the year	**989**	1,036

10. Income Tax (Continued)

A reconciliation of the tax credit applicable to loss before tax at the Hong Kong statutory rate to the tax charge at the effective tax rate is as follows:

	2015 **HK$'000**	2014 HK$'000
Loss before tax	**(4,378)**	(16,803)
Tax credit at Hong Kong statutory tax rate	**(722)**	(2,772)
Different tax rates for specific provinces or enacted by local authorities	**30**	(10)
Effect of deemed profit tax	**789**	725
Adjustments in respect of current tax of previous periods	**(20)**	(45)
Income not subject to tax	**(80)**	(21)
Expenses not deductible for tax	**1,183**	3,094
Temporary difference not recognised	**32**	(50)
Tax losses utilised from previous periods	**(432)**	(182)
Tax losses not recognised	**209**	297
Tax charge at the Group's effective tax rate	**989**	1,036

11. Dividends

During the year ended 31 December 2014, a subsidiary of the Company paid interim dividends of HK$1,076,000 to its then shareholders. Investors becoming shareholders of the Company after the Listing of the Company on the Stock Exchange are not entitled to such interim dividends.

12. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$5,367,000 (2014: HK$17,839,000), and the weighted average number of ordinary shares of 480,000,000 (2014: 417,205,479) in issue during the year, on the assumption that the Reorganisation and the capitalisation issue had been completed on 1 January 2014.

Diluted loss per share equals to basic loss per share as there was no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

13. Property, Plant and Equipment

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2015								
At 31 December 2014 and at 1 January 2015:								
Cost	**3,291**	**2,826**	**65**	**563**	**780**	**142**	**2,950**	**10,617**
Accumulated depreciation	**(1,378)**	**(1,245)**	**(1)**	**(259)**	**(355)**	**(78)**	**(1,263)**	**(4,579)**
Net carrying amount	**1,913**	**1,581**	**64**	**304**	**425**	**64**	**1,687**	**6,038**
At 1 January 2015, net of accumulated depreciation	**1,913**	**1,581**	**64**	**304**	**425**	**64**	**1,687**	**6,038**
Additions	**–**	**165**	**39**	**30**	**891**	**317**	**60**	**1,502**
Depreciation	**(66)**	**(484)**	**(9)**	**(94)**	**(272)**	**(75)**	**(562)**	**(1,562)**
Exchange realignment	**–**	**(4)**	**(4)**	**(3)**	**(17)**	**–**	**(2)**	**(30)**
At 31 December 2015, net of accumulated depreciation	**1,847**	**1,258**	**90**	**237**	**1,027**	**306**	**1,183**	**5,948**
At 31 December 2015:								
Cost	**3,291**	**2,985**	**99**	**589**	**1,651**	**459**	**3,004**	**12,078**
Accumulated depreciation	**(1,444)**	**(1,727)**	**(9)**	**(352)**	**(624)**	**(153)**	**(1,821)**	**(6,130)**
Net carrying amount	**1,847**	**1,258**	**90**	**237**	**1,027**	**306**	**1,183**	**5,948**
31 December 2014								
At 1 January 2014:								
Cost	3,291	2,739	–	448	735	149	1,976	9,338
Accumulated depreciation	(1,312)	(683)	–	(174)	(208)	(46)	(722)	(3,145)
Net carrying amount	1,979	2,056	–	274	527	103	1,254	6,193
At 1 January 2014, net of accumulated depreciation	1,979	2,056	–	274	527	103	1,254	6,193
Additions	–	89	65	116	46	–	976	1,292
Disposals	–	–	–	–	–	(2)	–	(2)
Depreciation	(66)	(562)	(1)	(85)	(147)	(37)	(541)	(1,439)
Exchange realignment	–	(2)	–	(1)	(1)	–	(2)	(6)
At 31 December 2014, net of accumulated depreciation	1,913	1,581	64	304	425	64	1,687	6,038
At 31 December 2014:								
Cost	3,291	2,826	65	563	780	142	2,950	10,617
Accumulated depreciation	(1,378)	(1,245)	(1)	(259)	(355)	(78)	(1,263)	(4,579)
Net carrying amount	1,913	1,581	64	304	425	64	1,687	6,038

13. Property, Plant and Equipment (Continued)

The net carrying amount of the Group's fixed assets held under finance lease included in the office equipment at 31 December 2015 was HK$310,000 (2014: Nil).

As at 31 December 2015, the Group's property with a net carrying amount of HK$1,847,000 (2014: HK$1,913,000) was pledged to secure general banking facilities granted to the Group (note 21).

14. Inventories

	2015 HK$'000	2014 HK$'000
Finished goods	**161**	2,179

15. Trade and Bills Receivables

	2015 HK$'000	2014 HK$'000
Trade receivables	**31,031**	38,273
Bills receivables	**2,028**	2,503
Impairment	**(762)**	(228)
	32,297	40,548

The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 75 days (2014: 30 to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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

	2015 HK$'000	2014 HK$'000
Within 1 month	**21,581**	34,462
1 to 2 months	**6,248**	5,103
2 to 3 months	**2,329**	873
Over 3 months	**2,139**	110
	32,297	40,548

15. Trade and Bills Receivables (Continued)

The movements in provision for impairment of trade receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**228**	—
Impairment loss recognised (note 7)	**534**	228
At 31 December	**762**	228

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$762,000 (2014: HK$228,000) with a carrying amount before provision of HK$762,000 (2014: HK$228,000).

The individually impaired trade receivables relate to a customer that was in financial difficulties.

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

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**28,959**	35,461
Less than 1 month past due	**3,105**	4,967
1 to 3 months past due	**79**	10
Over 3 months past due	**154**	110
	32,297	40,548

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

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

16. Prepayments, Deposits and Other Receivables

	2015 HK$'000	2014 HK$'000
Prepayments	**909**	958
Deferred expenses	**1,042**	787
Deposits	**419**	394
Loan to a third-party manufacturer	**5,859**	—
Advances to third-party manufacturers	**894**	3,344
Other receivables	**55,125**	54,864
	64,248	60,347
Analysed into:		
Non-current portion	**5,859**	—
Current portion	**58,389**	60,347
	64,248	60,347

As at 31 December 2015, the loan to a third-party manufacturer was secured by a property situated in Cambodia owned by the third-party manufacturer, subject to a guarantee given by an independent party to the Group, interest-free and repayable on 30 April 2020.

The movements in provision for impairment of other receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**—**	—
Impairment loss recognised (note 7)	**939**	—
Amount written off as uncollectible	**(939)**	—
At 31 December	**—**	—

Saved as disclosed above, none of the above financial assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

17. Financial Investment at Fair Value Through Profit or Loss

This represented an investment in a structured deposit which was stated at fair value and placed in a bank. As at 31 December 2014, the principal of the deposit amounting to RMB15,000,000 (approximately HK$18,797,000) was fully guaranteed by the bank and the maximum expected rate of return was 4.5% per annum. The Group designated this structured deposit as financial investment at fair value through profit or loss at initial recognition in accordance with HKAS 39. The Group used the structured deposit primarily to enhance the return on investment. The structured deposit was matured on 30 April 2015.

18. Cash and Cash Equivalents

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**62,263**	37,864
Time deposits:		
— with original maturity of less than three months when acquired	**18,233**	7,500
— with original maturity of more than three months when acquired	**1,193**	18,796
Cash and cash equivalents	**81,689**	64,160

As at 31 December 2015, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$10,473,000 (2014: HK$5,226,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

19. Trade and Bills Payables

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

	2015 HK$'000	2014 HK$'000
Within 1 month	**22,784**	25,681
1 to 2 months	**5,634**	3,587
2 to 3 months	**2,572**	661
Over 3 months	**540**	1,068
	31,530	30,997

The trade and bills payables are non-interest-bearing and are normally settled on an average term of 30 days.

20. Other Payables and Accruals

	2015 HK$'000	2014 HK$'000
Other payables	**2,348**	2,182
Accruals	**6,139**	10,384
	8,487	12,566
Analysed into:		
Non-current portion	**455**	537
Current portion	**8,032**	12,029
	8,487	12,566

Other payables are non-interest-bearing and are normally settled within one year.

21. Interest-Bearing Bank and Other Borrowings

	2015			2014		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current						
Finance lease payable (note 22)	**5**	**2016**	**74**	N/A	N/A	—
Trust receipt loans — secured	**3.16**	**2016**	**388**	2.73–3.23	2015	1,316
			462			1,316
Non-current						
Finance lease payable (note 22)	**5**	**2017–2019**	**244**	N/A	N/A	—
			706			1,316

All bank borrowings are denominated in United States dollars and are repayable within one year subject to a repayable on demand clause in the facility letters.

At the end of the reporting period, the Group's bank loans were secured by:

(i) a property of the Group situated in Hong Kong, which had a carrying value at the end of the reporting period of HK$1,847,000 (2014: HK$1,913,000);

(ii) corporate guarantees given by certain subsidiaries of the Group;

(iii) corporate guarantees given by the Company; and

(iv) promissory notes given by a subsidiary of the Group of HK$130,000,000 (2014: HK$130,000,000).

22. Finance Lease Payable

The Group leases certain of its office equipment. This lease is classified as a finance lease and has a remaining lease term of four years.

As at 31 December 2015, the total future minimum lease payments under finance lease and their present values were as follows:

	Minimum lease payments 2015 HK$'000	Minimum lease payments 2014 HK$'000	**Present value of minimum lease payments 2015 HK$'000**	Present value of minimum lease payments 2014 HK$'000
Amounts payable:				
Within one year	**87**	—	**74**	—
In the second year	**87**	—	**77**	—
In the third to fifth years, inclusive	**176**	—	**167**	—
Total minimum finance lease payments	**350**	—	**318**	—
Future finance charges	**(32)**	—		
Total net finance lease payable	**318**	—		
Portion classified as current liabilities (note 21)	**(74)**	—		
Non-current portion (note 21)	**244**	—		

23. Deferred Tax Liabilities

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

	Depreciation allowance in excess of related depreciation
	HK$'000
At 1 January 2014	34
Deferred tax charged to the statement of profit or loss during the year (note 10)	10
At 31 December 2014 and 1 January 2015	44
Deferred tax charged to the statement of profit or loss during the year (note 10)	9
At 31 December 2015	53

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2015, no deferred tax has been recognised for such withholding taxes as the Group's subsidiary established in Mainland China was still in accumulated losses.

As at 31 December 2015, the Group had tax losses arising in Hong Kong of approximately HK$5,138,000 (2014: HK$3,874,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$5,749,000 (2014: HK$7,767,000), subject to the agreement by the relevant tax authority, that are available for offsetting against future taxable profits of a subsidiary in which the losses arose from a maximum of five years.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

24. Share Capital

	2015 HK$'000	2014 HK$'000
Authorised:		
1,000,000,000 (2014: 1,000,000,000) shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
480,000,000 (2014: 480,000,000) shares of HK$0.01 each	**4,800**	4,800

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

	Notes	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares HK$
Authorised:			
At 1 January 2014		38,000,000	380,000
Increase in authorised share capital on 20 June 2014	(a)	962,000,000	9,620,000
At 31 December 2014, 1 January 2015 and 31 December 2015		1,000,000,000	10,000,000
Issued and fully paid:			
At 1 January 2014		1	—
Issue of Shares on 11 June 2014	(b)	99	1
Capitalisation issue upon the Listing	(c)	359,999,900	3,599,999
Issue of Shares upon the Listing	(d)	120,000,000	1,200,000
At 31 December 2014, 1 January 2015 and 31 December 2015		480,000,000	4,800,000

24. Share Capital (Continued)

Notes:

(a) Pursuant to a written resolution of the shareholders of the Company passed on 20 June 2014, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by creation of 962,000,000 additional ordinary shares of HK$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

(b) On 11 June 2014, 50 and 49 Shares of HK$0.01 each were allotted and issued for considerations of HK$0.50 and HK$0.49, respectively, to Happy Zone Limited (which is solely and beneficially owned by Mr. Liu Ying Yin, James) and Mr. Cheng Lap Yin, the shareholders of the Company, respectively.

(c) Pursuant to a written resolution of the shareholders of the Company passed on 20 June 2014, a total of 359,999,900 Shares of HK$0.01 each were allotted and issued at par value to the Controlling Shareholders by way of capitalisation of HK$3,600,000 from the Company's share premium account on 11 July 2014. The respective Shares allotted and issued pursuant to this resolution shall rank passu in all respects with the existing issued Shares.

(d) In connection with the Company's initial public offering, 120,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.52 per Share for a total cash consideration, before expenses, of HK$62,400,000. Dealings in the Shares of the Company on the Stock Exchange commenced on 11 July 2014.

25. Reserves

The amounts of the Group's reserves and the movements therein for current and prior years are presented in the consolidated statement of changes in equity on page 44 of the financial statements.

(a) Legal reserve

The legal reserve represents the transfer of the profit generated from a subsidiary incorporated in Macao from retained profits to the legal reserve in accordance with article 377 of the Macao Commercial Code until the legal reserve balance reaches half of the capital of the relevant subsidiary. This legal reserve is not distributable.

(b) Merger reserve

The merger reserve represents the aggregate nominal value of the paid-up capital of the subsidiaries acquired pursuant to the Reorganisation set out in note 2.1 to the financial statements.

(c) Capital reserve

Pursuant to a deed of undertaking dated 26 March 2014 (the "Deed of Undertaking") signed by the Controlling Shareholders and the Company, the Controlling Shareholders have agreed to bear a portion of the fees and expenses up to HK$9,000,000 in connection with the Listing.

The capital reserve represents (i) capital contribution of HK$9,000,000 from the Controlling Shareholders in connection with the Deed of Undertaking; and (ii) capital contribution of HK$1,071,000 from the Controlling Shareholders to a subsidiary.

26. Note to the Consolidated Statement of Cash Flows

Major non-cash transaction

During the year, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a capital value at the inception of the lease of HK$401,000 (2014: Nil).

27. Contingent Liabilities

Hanbo Enterprises Limited, a wholly-owned subsidiary, was a defendant (the "Defendant") in a breach of contract claim by a fabric supplier (the "Plaintiff"), an independent third party (the "Litigation").

Pursuant to the judgment of the High Court of the Hong Kong Special Administrative Region (the "Court") dated 21 July 2014, the Court gave judgment to the Plaintiff in the sum of US$477 with interest at judgment rate from the date of writ on 27 April 2012 to the date of payment. The Court also made on order *nisi* that the Defendant should have the costs of the Litigation.

Pursuant to a notice of appeal dated 18 August 2014, the Plaintiff lodged with the Court of Appeal of the Hong Kong Special Administrative Region its appeal against the aforesaid judgment. The directors of the Company, based on the advice from the Group's legal adviser, believe that the Defendant has a valid defence against the allegation and, accordingly, have not made any provision in the financial statements of the Group in respect of its liabilities, if any, arising therefrom.

The Group is in the course of demanding the Plaintiff for the legal costs incurred for the Litigation amounting to HK$1,095,000 in aggregate, of which the bill of costs has been filed with the Court. Subsequent to the end of the reporting period, pursuant to a notice of setting down a bill for taxation dated 8 March 2016, the hearing for the taxation of bill is scheduled to be held on 28 September 2016.

In addition, pursuant to the deed of indemnity dated 20 June 2014, each of the Controlling Shareholders has agreed to indemnify the Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings against any member of the Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of the Group prior to the Listing.

28. Pledge of Assets

Details of the Group's bank borrowings, which are secured by the assets of the Group, are included in notes 13 and 21 to the financial statements.

29. Operating Lease Commitments

As lessee

The Group leases certain of its office premises and staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from one to five years (2014: one to ten years).

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**1,961**	1,274
In the second to fifth years, inclusive	**4,428**	1,792
	6,389	3,066

30. Related Party Transactions

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

		2015	2014
	Notes	**HK$'000**	HK$'000
Rental expenses paid to Action Win Industries Limited	(i)	**569**	324
Service income from Herotime Clothing (Shenzhen) Co., Ltd	(ii)	**–**	38
Dividends to the then shareholders	(iii)	**–**	1,076
Rental expenses paid to Liu & Cheng (Cambodia) Limited	(iv)	**233**	174

30. Related Party Transactions (Continued)

(a) (Continued)

Notes:

(i) Rental expenses were paid to Action Win Industries Limited, which is controlled by Mr. Liu Ying Yin, James, for leases of an office premises and a warehouse located in Hong Kong and were charged at a monthly rental of HK$27,000 (2014: HK$27,000) and HK$35,000 (2014: Nil), respectively.

(ii) Service income was charged to Herotime Clothing (Shenzhen) Co., Ltd, which was controlled by Mr. Liu Ying Yin, James, and Mr Cheng Lap Yin, for the provision of accounting, administrative and IT supporting services and was charged at a monthly fee of HK$9,000 from 17 June 2014 to 31 October 2014.

(iii) Dividends were declared and paid to the then shareholders of a subsidiary during the year ended 31 December 2014. Further details of the dividends are set out in note 11 to the financial statements.

(iv) Rental expense was paid to Liu & Cheng (Cambodia) Limited, which is controlled by Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin, for a lease of office located in Cambodia and was charged at a monthly rental of US$2,500 (approximately HK$19,000) (2014: US$2,500 (approximately HK$19,000)).

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

(b) Commitment with related parties

The Group entered into operating lease arrangements as a lessee with companies controlled by Mr. Liu Ying Yin, James, and Mr. Cheng Lap Yin for lease terms ranging from three to five years (2014: lease term of ten years, subject to a one-month termination notice). The amounts of rental expenses for the year are disclosed in notes 30(a)(i) and (iv) to the financial statements.

The total future lease payments of these operating lease arrangements till the end of the lease terms are HK$4,753,000 (2014: HK$324,000).

(c) The amount due to a related company is unsecured, interest-free and has no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**6,009**	3,568
Post-employment benefits	**72**	67
Total compensation paid to key management personnel	**6,081**	3,635

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

31. Financial Instruments by Category

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

Financial assets

31 December 2015

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Trade and bills receivables	**32,297**	**—**	**32,297**
Financial assets included in prepayments, deposits and other receivables	**62,297**	**—**	**62,297**
Cash and cash equivalents	**81,689**	**—**	**81,689**
	176,283	**—**	**176,283**

31 December 2014

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Trade and bills receivables	40,548	—	40,548
Financial assets included in prepayments, deposits and other receivables	58,602	—	58,602
Financial investment at fair value through profit and loss	—	18,797	18,797
Cash and cash equivalents	64,160	—	64,160
	163,310	18,797	182,107

31. Financial Instruments by Category (Continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2015	2014
	HK$'000	HK$'000
Trade and bills payables	**31,530**	30,997
Financial liabilities included in other payables and accruals	**2,348**	2,182
Interest-bearing bank and other borrowings	**706**	1,316
Due to a related company	**325**	—
	34,909	34,495

32. Fair Value and Fair Value Hierarchy of Financial Instruments

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

	Carrying amount		Fair value	
	2015	**2014**	2015	2014
	HK$'000	**HK$'000**	HK$'000	HK$'000
Financial asset				
Financial investment at fair value through profit or loss	**—**	**18,797**	—	18,797

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

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

The fair values of the non-current portion of other receivable and interest-bearing other borrowing have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

32. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The Group entered into a structured deposit with a creditworthy bank with no recent history of default. The fair value of the structured deposit was measured using valuation techniques similar to option models, using present value calculations. The models incorporate various market observable inputs including credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amount of the structured deposit was the same as its fair value.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instrument:

Asset measured at fair value:

	2015 **HK$'000**	2014 HK$'000
Fair value measurement using significant observable inputs (Level 2)		
— Financial investment at fair value through profit or loss	**–**	18,797

The Group did not have any financial liabilities measured at fair values as at the end of the reporting period.

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

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and an amount due to a related company.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Since the Group did not have material outstanding borrowings with floating interest rates as at 31 December 2015 and 2014, the Company's exposure to interest rate is considered to be minimal.

33. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in loss before tax**
	%	HK$'000
2015		
If US$ weakens against RMB	**5**	**310**
If US$ strengthens against RMB	**(5)**	**(310)**
2014		
If US$ weakens against RMB	5	1,880
If US$ strengthens against RMB	(5)	(1,880)

33. Financial Risk Management Objectives and Policies (Continued)

Credit risk

The trade and bills receivables balances included in the statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's trade and bills receivables. Concentrations of credit risk are managed by customer. The Group has certain concentration of credit risk in relation to trade and bills receivables as the trade and bills receivables due from the Group's largest debtor and the five largest debtors accounted for a material proportion of the Group's trade and bills receivables as at 31 December 2015 and 2014 as follows:

	2015	2014
	%	%
Largest customers	**27.4**	26.1
Five largest customers	**80.9**	94.1

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all trade and bills receivables.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated statement of financial position. The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. Accordingly, the Group's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

33. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

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

	2015			
	On demand/ no fixed terms of repayment HK$'000	**Within one year HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**—**	**31,530**	**—**	**31,530**
Financial liabilities included in other payables and accruals	**—**	**2,348**	**—**	**2,348**
Interest-bearing bank and other borrowings (note)	**388**	**87**	**263**	**738**
Due to a related company	**325**	**—**	**—**	**325**
	713	**33,965**	**263**	**34,941**

	2014			
	On demand/ no fixed terms of repayment HK$'000	Within one year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and bills payables	—	30,997	—	30,997
Financial liabilities included in other payables and accruals	—	2,182	—	2,182
Interest-bearing bank and other borrowings (note)	1,316	—	—	1,316
	1,316	33,179	—	34,495

33. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

Note:

Included in the above interest-bearing bank and other borrowings are trust receipt loans with an aggregate carrying amount of HK$388,000 (2014: HK$1,316,000). The loan agreements contain a repayment on demand clause giving to the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "repayment on demand".

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of those loans as at the end of the reporting period, based on contractual undiscounted payment and ignoring the effect of any repayment on demand clause, is as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**391**	1,320

Capital management

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

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

The Group monitors capital on the basis of a gearing ratio. The ratio is calculated by dividing the total debts by total equity attributable to owners of the Company. Total debts are defined to include all borrowings and payables incurred not in the ordinary course of business.

At the end of the reporting period, all the Group's interest-bearing bank borrowings and payables were incurred in the ordinary course of business. Accordingly, the gearing ratio (being the finance lease payable divided by the equity attributable to the owners of the Company) was 0.2% (2014: Nil) at the end of the reporting period.

34. Event After the Reporting Period

In order to maintain the competitiveness of the Group and focus the Group's resources on core customers, on 20 January 2016, the Board resolved to streamline its operation and consolidate production base in March and April 2016. Such restructuring exercise will involve layoff of certain employees and closure of certain offices of the Group. The restructuring cost is estimated to be approximately HK$2,200,000.

35. Statement of Financial Position of the Company

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

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—	—
CURRENT ASSETS		
Prepayments and other receivables	280	403
Due from subsidiaries	25,201	18,966
Cash and cash equivalents	15,572	26,700
Total current assets	41,053	46,069
CURRENT LIABILITIES		
Accruals	—	2,159
Due to a subsidiary	1,689	1,789
Total current liabilities	1,689	3,948
Net assets	39,364	42,121
EQUITY		
Issued capital	4,800	4,800
Reserves (note)	34,564	37,321
Total equity	39,364	42,121

35. Statement of Financial Position of the Company (Continued)

Note:

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

	Notes	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014		—	—	(137)	(137)
Loss and total comprehensive loss for the year		—	—	(12,903)	(12,903)
Capitalisation issue of Shares upon the Listing	24(c)	(3,600)	—	—	(3,600)
Issue of Shares upon the Listing	24(d)	61,200	—	—	61,200
Share issue expenses		(8,727)	—	—	(8,727)
Capital contribution from the Controlling Shareholders		—	1,488	—	1,488
At 31 December 2014 and 1 January 2015		48,873	1,488	(13,040)	37,321
Loss and total comprehensive loss for the year		—	—	(2,757)	(2,757)
At 31 December 2015		**48,873**	**1,488**	**(15,797)**	**34,564**

36. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 29 March 2016.