Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF 2014 ANNUAL RESULTS

FINANCIAL SUMMARY OF 2014 ANNUAL RESULTS

- Revenue of HK$3,580 million
- Profit attributable to equity holders of HK$148 million
- Earnings per share of HK$0.55
- Proposed final dividend of HK$0.06 per share

RESULTS

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014 together with comparative figures for 2013.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	**2014** *HK$'000*	2013 *HK$'000*
Revenue	2, 3	**3,580,029**	3,599,903
Cost of sales		**(2,488,627)**	(2,492,732)
Gross profit		**1,091,402**	1,107,171
Other income and other gains	4	**10,039**	6,212
Selling and distribution expenses		**(381,579)**	(404,313)
General and administrative expenses		**(622,659)**	(573,896)
Net gain on disposal of a subsidiary	5	**137,272**	–
Net gain on disposal of freehold land and building	6	**30,172**	–
Impairment of goodwill	7	**(20,893)**	–
Restructuring costs	5	**(9,270)**	(46,597)
Profit from operations	8	**234,484**	88,577
Finance income	9	**14,741**	12,649
Finance costs	9	**(12,686)**	(12,684)
Profit before income tax		**236,539**	88,542
Income tax expense	10	**(88,241)**	(45,139)
Profit for the year		**148,298**	43,403
Attributable to:			
Equity holders of the Company		**148,277**	43,439
Non-controlling interests		**21**	(36)
		148,298	43,403
Earnings per share attributable to equity holders of the Company:			
Basic	12	**HK$0.55**	HK$0.16
Diluted	12	**HK$0.55**	HK$0.16
Dividends	11	**16,271**	16,247

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**As at 31 December 2014 *HK$'000***	As at 31 December 2013 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**478,432**	526,115
Leasehold land and land use rights		**161,486**	173,096
Intangible assets		**94,528**	178,678
Other long-term assets		**24,240**	28,260
Deferred income tax assets		**33,777**	45,118
Defined benefit plan assets		**7,080**	12,211
Forward foreign exchange contracts		**3,389**	12,188
Investment in an associate		**–**	–
		802,932	975,666
CURRENT ASSETS			
Inventories		**580,122**	498,540
Accounts receivable and bills receivable	13	**456,164**	416,822
Forward foreign exchange contracts		**794**	2,836
Prepayments and other receivables		**280,836**	150,473
Cash and bank balances		**723,444**	692,927
		2,041,360	1,761,598
CURRENT LIABILITIES			
Accounts payable and bills payable	14	**174,832**	170,497
Accruals and other payables		**500,745**	491,210
Forward foreign exchange contracts		**5,370**	–
Current income tax liabilities		**50,943**	43,664
Bank borrowings		**443,800**	403,753
		1,175,690	1,109,124
NET CURRENT ASSETS		**865,670**	652,474
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,668,602**	1,628,140
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		**19,998**	21,313
License fees payable		**24,380**	93,729
Deferred income tax liabilities		**58,780**	56,316
Forward foreign exchange contracts		**12,473**	–
		115,631	171,358
NET ASSETS		**1,552,971**	1,456,782
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**27,119**	27,078
Reserves		**1,525,516**	1,429,389
		1,552,635	1,456,467
Non-controlling interests		**336**	315
TOTAL EQUITY		**1,552,971**	1,456,782

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Amendments to existing standards effective in 2014

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

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

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

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

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

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

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

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

1. BASIS OF PREPARATION (Continued)

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

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

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

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

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle (1)

Annual Improvements to HKFRSs 2011-2013 Cycle (1)

Annual Improvements to HKFRSs 2012-2014 Cycle (2)

(1) Effective for the Group for annual periods beginning on or after 1 July 2014.
(2) Effective for the Group for annual periods beginning on or after 1 January 2016.
(3) Effective for the Group for annual periods beginning on or after 1 January 2017.
(4) Effective for the Group for annual periods beginning on or after 1 January 2018.

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

New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 'Accounts and Audit' of the new Hong Kong Companies Ordinance (Cap. 622) come into effect as from the Company's first financial year commencing on or after 3 March 2014 in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. SEGMENT INFORMATION

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

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

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

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

2. SEGMENT INFORMATION (Continued)

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

2. **SEGMENT INFORMATION (Continued)**

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

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

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

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

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

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

Notes:

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

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

3. **REVENUE**

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**3,579,643**	3,598,816
Commission income	**386**	1,087
	3,580,029	3,599,903

4. **OTHER INCOME AND OTHER GAINS**

	2014	2013
	HK$'000	*HK$'000*
Net gain on disposals of property, plant and equipment	**2,096**	438
Government subsidies	**3,490**	4,010
Sundry income	**4,453**	1,764
	10,039	6,212

5. DISPOSAL OF A SUBSIDIARY

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

6. NET GAIN ON DISPOSAL OF FREEHOLD LAND AND BUILDING

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

7. IMPAIRMENT OF GOODWILL

Goodwill was allocated to a business unit under the garment manufacturing segment. Due to the foreseeable difficult operating environment and unsatisfactory results of the business unit, management has performed an impairment assessment and full impairment of HK$20,893,000 was made in the 2014 consolidated income statement.

8. PROFIT FROM OPERATIONS

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

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

9. FINANCE INCOME/FINANCE COSTS

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

10. INCOME TAX EXPENSE

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

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

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

11. DIVIDENDS

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

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

12. EARNINGS PER SHARE

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

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

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

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

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

13. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

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

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

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

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

14. ACCOUNTS PAYABLE AND BILLS PAYABLE

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

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

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

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

15. CAPITAL COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

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

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

BUSINESS REVIEW

Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

Gross Profit

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

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

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

Selling and Distribution Expenses

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

General and Administrative Expenses

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

Disposal of a PRC subsidiary

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

Disposal of freehold land and building

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

Impairment of goodwill

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

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

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

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

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

HUMAN RESOURCES

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

OUTLOOK

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

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

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

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

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

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

CORPORATE GOVERNANCE CODE

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

Considered reasons for the deviation from code provisions A.2.1, A.5 and A.6.7 were set out in the Company's last published interim report for the six months ended 30 June 2014. Further information of the Company's corporate governance practices will be set out in the Corporate Governance Report of the Company's annual report for the year ended 31 December 2014, which will be available for publication as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PROPOSED FINAL DIVIDEND

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

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

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Monday, 8 June 2015 (the "2015 AGM"), is expected to be paid on Monday, 22 June 2015 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 15 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the 2015 AGM, and entitlement to the proposed final dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the 2015 AGM:

• Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 4 June 2015
• Closure of register of members	Friday, 5 June 2015 to Monday, 8 June 2015 (both days inclusive)
• Record date	Monday, 8 June 2015

(ii) For determining entitlement to the proposed final dividend:

• Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 11 June 2015
• Closure of register of members	Friday, 12 June 2015 to Monday, 15 June 2015 (both days inclusive)
• Record date	Monday, 15 June 2015

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2015 AGM, and to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The 2015 AGM will be held at Room 5A, 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong at 10:00 a.m. on Monday, 8 June 2015. The notice of 2015 AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements and the annual report of the Group for the year ended 31 December 2014 with the management of the Group and recommended them to the Board for approval.

On behalf of the Board
WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 30 March 2015

As at the date of this announcement, the Board comprises one Executive Director, Mr. WANG Kin Chung, Peter; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and three Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK and Mr. Peter TAN.