Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF 2016 ANNUAL RESULTS

FINANCIAL SUMMARY OF 2016 ANNUAL RESULTS

- Revenue of HK$2,254 million
- Loss attributable to equity shareholders of HK$84 million
- Loss per share of HK$0.31

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 2016 together with comparative figures for 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
Revenue	2, 3	**2,253,655**	2,515,738
Cost of sales		**(1,724,106)**	(1,934,316)
Gross profit		**529,549**	581,422
Other income and other gains	4	**87,777**	188,021
Selling and distribution expenses		**(174,103)**	(227,265)
General and administrative expenses		**(506,425)**	(541,363)
Restructuring costs	5	**-**	(15,675)
Loss from operations	6	**(63,202)**	(14,860)
Finance income	7	**7,217**	13,953
Finance costs	7	**(5,942)**	(8,510)
Loss before tax		**(61,927)**	(9,417)
Income tax expense	8	**(24,684)**	(36,274)
Loss for the year		**(86,611)**	(45,691)
Attributable to:			
Equity shareholders of the Company		**(84,091)**	(45,669)
Non-controlling interests		**(2,520)**	(22)
Loss for the year		**(86,611)**	(45,691)
Loss per share attributable to equity shareholders of the Company:			
Basic	10	**HK$(0.31)**	HK$(0.17)
Diluted	10	**HK$(0.31)**	HK$(0.17)

Details of dividends payable to equity shareholders of the Company are set out in Note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(86,611)**	(45,691)
Other comprehensive income, net of nil tax unless specified:		
Items that may be reclassified subsequently to profit or loss		
Fair value losses on cash flow hedges		
Losses arising during the year	**(24,912)**	(37,253)
Transferred to and included in the following line items in the consolidated statement of profit or loss:		
Cost of sales	**9,886**	4,185
General and administrative expenses	**2,487**	3,265
Exchange difference on translation of financial statements of overseas subsidiaries		
Losses arising during the year	**(48,603)**	(80,634)
Reclassification adjustment for translation reserve transferred to consolidated statement of profit or loss upon liquidation of a subsidiary	**–**	838
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans and long service payment liabilities	**2,044**	(1,429)
Income tax effect	**(515)**	720
Other comprehensive income for the year	**(59,613)**	(110,308)
Total comprehensive income for the year	**(146,224)**	(155,999)
Attributable to:		
Equity shareholders of the Company	**(143,704)**	(155,977)
Non-controlling interests	**(2,520)**	(22)
Total comprehensive income for the year	**(146,224)**	(155,999)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**As at 31 December 2016** ***HK$'000***	As at 31 December 2015 *HK$'000*
Non-Current Assets			
Property, plant and equipment		**332,149**	402,893
Leasehold land and land use rights		**130,863**	143,356
Intangible assets		**189,527**	185,822
Other long-term assets		**10,809**	20,629
Prepayments and other receivables		**–**	30,452
Deferred tax assets		**5,782**	29,874
Defined benefit plan assets		**7,735**	8,043
Interest in an associate		**–**	–
		676,865	821,069
Current Assets			
Inventories		**242,527**	273,804
Accounts receivable and bills receivable	11	**278,451**	314,590
Forward foreign exchange contracts		**316**	–
Prepayments and other receivables		**155,379**	146,631
Cash and bank balances		**523,241**	666,134
		1,199,914	1,401,159
Current Liabilities			
Accounts payable and bills payable	12	**88,129**	92,830
Accruals and other payables		**210,848**	276,932
Forward foreign exchange contracts		**19,629**	13,917
Current tax liabilities		**10,422**	34,505
Bank borrowings		**198,905**	325,294
		527,933	743,478
Net Current Assets		**671,981**	657,681
Total Assets Less Current Liabilities		**1,348,846**	1,478,750
Non-Current Liabilities			
Retirement benefits and other post retirement obligations		**19,812**	21,416
License fees payable		**24,938**	–
Deferred tax liabilities		**31,434**	45,942
Forward foreign exchange contracts		**36,689**	29,546
		112,873	96,904
Net Assets		**1,235,973**	1,381,846
Capital and Reserves			
Share capital		**27,161**	27,161
Reserves		**1,210,960**	1,354,371
Total equity attributable to equity shareholders of the Company		**1,238,121**	1,381,532
Non-controlling interests		**(2,148)**	314
Total Equity		**1,235,973**	1,381,846

Notes:

1. **Statement of Compliance and Basis of Preparation of the Financial Statements**

The consolidated results set out in this announcement do not constitute the Group's annual consolidated financial statements for the year ended 31 December 2016 but are extracted from those financial statements.

The basis of preparation and significant accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

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

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the derivative financial instruments are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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 Group manages its business by business units, which are organised by business lines and geography. The Group identified two reportable segments: (i) garment manufacturing, and (ii) branded product distribution, retail and trading. The chief operating decision makers assess the performance of the reportable segments and allocate resources between segments based on the measure of profit or loss generated. This measurement basis is equivalent to profit/(loss) after tax for the year of that reportable segment.

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

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**1,882,471**	1,973,005	**377,513**	588,202	**–**	–	**2,259,984**	2,561,207
Less: Inter-segment revenue	**(6,329)**	(45,469)	**–**	–	**–**	–	**(6,329)**	(45,469)
Revenue	**1,876,142**	1,927,536	**377,513**	588,202	**–**	–	**2,253,655**	2,515,738
Reportable segment profit/(loss) before tax	**71,230**	4,278	**(79,663)**	21,275	**(53,494)**	(19,295)	**(61,927)**	6,258
Income tax (expense)/ credit	**(11,278)**	(7,874)	**(276)**	(32,672)	**(13,130)**	4,272	**(24,684)**	(36,274)
Reportable segment profit/(loss) for the year	**59,952**	(3,596)	**(79,939)**	(11,397)	**(66,624)**	(15,023)	**(86,611)**	(30,016)
Restructuring costs	**–**	(15,675)	**–**	–	**–**	–	**–**	(15,675)
Loss for the year							**(86,611)**	(45,691)

2. **Segment Information (Continued)**

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated *(Note (1))*		Total	
	As at 31 December 2016	As at 31 December 2015	**As at 31 December 2016**	As at 31 December 2015	**As at 31 December 2016**	As at 31 December 2015	**As at 31 December 2016**	As at 31 December 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**755,941**	850,792	**433,417**	511,931	**687,421**	859,505	**1,876,779**	2,222,228
Reportable segment liabilities	**303,666**	293,063	**138,235**	222,025	**198,905**	325,294	**640,806**	840,382
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Finance income	**–**	–	**1,915**	–	**5,302**	13,953	**7,217**	13,953
Finance costs	**–**	–	**(492)**	(1,486)	**(5,450)**	(7,024)	**(5,942)**	(8,510)
Amortisation of leasehold land and land use rights	**(312)**	(248)	**–**	–	**(3,264)**	(2,951)	**(3,576)**	(3,199)
Amortisation of intangible assets	**–**	–	**(23,090)**	(74,656)	**–**	–	**(23,090)**	(74,656)
Depreciation on property, plant and equipment	**(37,494)**	(39,788)	**(10,724)**	(10,067)	**(18,783)**	(27,834)	**(67,001)**	(77,689)
(Provision for)/reversal of impairment of receivables, net	**(2,114)**	666	**–**	–	**–**	–	**(2,114)**	666
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(5,645)**	(14,058)	**2,040**	(15,082)	**–**	–	**(3,605)**	(29,140)
Additions to non-current assets	**11,694**	16,216	**48,626**	169,094	**2,193**	2,756	**62,513**	188,066

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

	PRC		US and Canada		UK		Other countries		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**602,522**	929,759	**908,849**	839,119	**566,499**	587,390	**175,785**	159,470	**2,253,655**	2,515,738

Included in revenue derived from the PRC was HK$289,275,000 (2015: HK$389,411,000) which was generated in Hong Kong.

For the year ended 31 December 2016, revenue from two customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and they represented approximately 17% and 16% (2015: 15% and 13%) of the total revenue respectively.

2. **Segment Information (Continued)**

	PRC		Luxembourg		Thailand		Other countries		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (2))*	**379,749**	504,198	**160,275**	165,950	**62,571**	59,082	**60,753**	53,922	**663,348**	783,152

Included in non-current assets located in the PRC was HK$11,243,000 (2015: HK$42,785,000) which was related to assets located in Hong Kong.

Notes:

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

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

3. **Revenue**

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

Revenue represents the invoiced value of products sold, excludes value added tax or other sales taxes and is after reduction of any trade discounts.

4. **Other Income and Other Gains**

	2016	2015
	HK$'000	*HK$'000*
Consultancy and transitional services fee income from JW PRC Co *(Note (i))*	**70,685**	178,856
Transitional service fee income from Nautica licensor *(Note (ii))*	**23,265**	–
Government subsidies *(Note (iii))*	**4,434**	3,310
Net loss on disposals of property, plant and equipment	**(15,319)**	(154)
Sundry income	**4,712**	6,009
	87,777	188,021

Notes:

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

(ii) In July 2016, certain subsidiaries of the Group entered into agreements with relevant Nautica licensor whereby the Group agreed to provide full cooperation to the Nautica licensor in enabling a business transition in relation to the contractual expiry of the Group's license for the distribution of Nautica branded products on 31 December 2016. In consideration of the Group's agreement to provide cooperation for the business transition, the Nautica licensor agreed to pay US$3 million (equivalent to HK$23,265,000) to the Group.

(iii) The Group received HK$4,434,000 (2015: HK$3,310,000) government subsidies from the PRC government during the year ended 31 December 2016. There were no unfulfilled conditions and other contingencies attached to the receipts of these government subsidies. There is no assurance that the Group will continue to receive such government subsidies in the future.

5. Restructuring Costs

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

6. Loss from Operations

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

	2016	2015
	HK$'000	*HK$'000*
Amortisation of leasehold land and land use rights	**3,576**	3,199
Amortisation of intangible assets	**23,090**	74,656
Depreciation on property, plant and equipment	**67,001**	77,689
Provision for/(reversal of) impairment of receivables, net	**2,114**	(666)
Cost of inventories	**1,724,106**	1,934,316
Employee benefit expenses	**753,063**	837,105
Less: Amounts included in restructuring costs	**–**	(15,675)
	753,063	821,430
Minimum operating lease payments in respect of land and buildings	**78,238**	73,233
Contingent operating lease payments in respect of land and buildings	**1,835**	9,722
Net exchange loss/(gain)	**3,269**	(1,585)
Auditors' remuneration		
Audit services	**2,974**	2,922
Others	**799**	410

7. Finance Income/Finance Costs

	2016	2015
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**5,302**	13,953
Imputed interest on other receivable from an entity in the PRC	**1,915**	–
	7,217	13,953
Finance costs		
Interest on bank borrowings	**5,450**	7,024
Imputed interest on license fees payable	**492**	1,486
	5,942	8,510

8. Income Tax Expense

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**5,370**	1,024
Non-Hong Kong tax	**24,026**	45,479
Over-provisions of prior years	**(15,363)**	(2,194)
	14,033	44,309
Deferred tax	**10,651**	(8,035)
	24,684	36,274

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

9. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

10. Loss Per Share

(a) Basic loss per share

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

	2016	2015
	HK$'000	*HK$'000*
Loss attributable to equity shareholders of the Company	**(84,091)**	(45,669)
Weighted average number of ordinary shares in issue	**271,607,253**	271,415,669
Basic loss per share	**HK$(0.31)**	HK$(0.17)

(b) Diluted loss per share

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

During the years ended 31 December 2016 and 2015, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Hence, there was no dilutive effect on calculation of the diluted loss per share for the years ended 31 December 2016 and 2015.

11. Accounts Receivable and Bills Receivable

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

	2016	2015
	HK$'000	*HK$'000*
Less than 3 months	**273,067**	312,877
3 months to 6 months	**5,384**	1,713
Over 6 months	**2,415**	1,031
	280,866	315,621
Less: Provision for impairment	**(2,415)**	(1,031)
	278,451	314,590

The majority of accounts 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.

12. Accounts Payable and Bills Payable

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

	2016	2015
	HK$'000	*HK$'000*
Less than 3 months	**80,382**	82,438
3 months to 6 months	**4,837**	6,332
Over 6 months	**2,910**	4,060
	88,129	92,830

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

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

13. Capital Commitments

The Group had no capital commitments as at 31 December 2016 and 2015.

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 2016.

Overview

For the year ended 31 December 2016, the Group recorded a loss attributable to equity shareholders of HK$84 million (2015: loss of HK$46 million). Notwithstanding our garment manufacturing business returned to profitability in the year, the increase in loss is mainly attributable to substantially lower consultancy fee income from the Jack Wolfskin China business, persisting soft retail market that impacted our China distribution business, and the Group's new brand investment, in particular the brand "C.P. Company".

Our China distribution business is under ongoing transitions that impact the Group's financial performance. As mentioned in the 2015 annual report, upon the termination of the Jack Wolfskin distribution license in March 2015, the Group receives consultancy fees from Jack Wolfskin Trading (Shanghai) Co., Ltd. ("JW PRC Co") from 2015 to 2017 that are reducing annually on agreed calculation basis. As a result, the Group's 2016 and 2017 consultancy fees income are substantially lower than that for 2015. Also, after the contractual expiry of the Nautica distribution license on 31 December 2016, the Group has ceased the distribution of Nautica brand products in China and Hong Kong. The Group and the Nautica licensor had entered into agreements for the business transition, and the Nautica licensor agreed to pay the Group US$3 million for the transition.

Despite the above challenges to our distribution business, the Group continues to grow our own brands and look for licensing opportunities. In 2016, the Group has combined effort to set up the global organisation and operations of C.P. Company for the long-term foundation of the business, complete Fall/Winter 2016 fulfilment and prepare the Spring/Summer 2017 collection. The brand began to contribute revenue to the Group from Fall/Winter 2016 in the second half year after the change of ownership. With positive response and confidence from the trade, both Fall/Winter 2016 and Spring/Summer 2017 revenue of the brand attained high double-digit growth over last year of homologous seasons. There were particular strong growth in our key markets the United Kingdom (the "UK"), Italy, Korea and France where brand awareness has always been strong. New growth markets such as Germany, Russia and Scandinavia also showed growth as we gained new doors in prominent retailers. The business growth is encouraging for the brand to unlock its full potential. In the Outlook section below, we provide more information on our strategy to grow C.P. Company in the coming years.

Both Engineered for Motion (EFM) and Cissonne are also at development stage gaining traction. EFM is an "athlux" NYC designer brand and participates in the higher-end global "athleisure" market segment. Our principal designer and founder, Mr. Donrad Duncan, received the Fashion Group International's 2016 Rising Star Award for Menswear, and EFM has gained more traction in the industry. EFM also came into the limelight when it struck a distribution deal with Saks Fifth Avenue starting from Fall/Winter 2016 and is now featured as a pinnacle brand in this growing segment. The partnership with Saks Fifth Avenue has progressed from online in Fall/Winter 2016 to being stocked in the retail doors for Spring/Summer 2017. We have also seen success with sell-through in high-profile specialty accounts such as Martin Patrick and Ron Herman. The brand's Fall/Winter 2017 collection, which was featured in a highly-publicised runway show in January 2017 at the CFDA's New York Fashion Week, was well-received by key retailers and media alike. Our premium ladies' wear Cissonne is gradually building its brand through direct retailing in China major cities. During the year 2016, Cissonne opened its stores in Beijing Sanlitun and Hangzhou MIXC Shopping City. The brand has now five stores in China, including the stores in Shanghai Kerry Centre, Shanghai Zhenning Road and Hangzhou Tower Shopping City.

Our garment manufacturing business has returned to profitability in 2016 following our continued effort. Our strategic measures to expand business with global fashion brands customers and transfer the dress up business to low cost Indochina production base – Vietnam and Myanmar proved successful. Our continuing efficiency enhancement as well as cost rationalisation in our Hefei factory in the last year also helped to increase profitability.

Financial Highlights

	Note	**2016**	2015	Change
Operating results (HK$ million)				
Revenue		**2,254**	2,516	–10%
Gross profit		**530**	581	–9%
EBIT before non-recurring items	1	**(63)**	1	–6,400%
Non-recurring loss before tax		**–**	(16)	–100%
Loss from operations after non-recurring items		**(63)**	(15)	–320%
Loss attributable to equity shareholders		**(84)**	(46)	–83%
Segment results (HK$ million)				
Garment manufacturing segment results before non-recurring items and tax		**71**	4	+1,675%
Garment manufacturing segment results after non-recurring items and tax		**60**	(19)	+416%
Branded product business segment results before tax		**(80)**	21	–481%
Branded product business segment results after tax		**(80)**	(11)	–627%
Financial position (HK$ million)				
Current assets		**1,200**	1,401	–14%
Current liabilities		**528**	743	–29%
Cash and bank balances		**523**	666	–21%
Bank borrowings		**199**	325	–39%
Total equity		**1,236**	1,382	–11%
Cash flow and capital expenditure (HK$ million)				
Cash generated from operations		**68**	196	–65%
Capital expenditure				
Property, plant and equipment		**(30)**	(22)	+36%
Trademark		**–**	(166)	–100%
Key ratios				
Gross profit margin		**23.5%**	23.1%	+0.4 pp
Operating (loss)/profit margin before non-recurring items		**(2.8%)**	0.1%	–2.9 pp
Net loss margin attributable to equity shareholders		**(3.7%)**	(1.8%)	–1.9 pp
Return on average equity (ROE)	2	**(6.4%)**	(3.1%)	–3.3 pp

Notes:

1. Non-recurring items represent restructuring costs as included in the consolidated statement of profit or loss.

2. ROE is calculated as loss attributable to equity shareholders over average total equity for the current and prior year.

Financial Review

Revenue

Total revenue of the Group for the year 2016 was HK$2,254 million (2015: HK$2,516 million), representing a decrease of 10% as compared with 2015.

Revenue from the branded product distribution, retail and trading segment was HK$378 million as compared with HK$588 million in 2015. The decrease is mainly due to the 2015 revenue included HK$204 million sales of Jack Wolfskin products in the People's Republic of China (the "PRC") up to the brand's license termination in March 2015. The decrease in top line was also driven by tough and promotional operating environment to our Nautica China distribution business in 2016. Changing spending patterns and the shift to e-commerce has put tremendous pressure on traditional sales channels. Despite the above, C.P. Company brand began to contribute revenue to the Group from the second half of 2016. Its sales revenue was encouraging and surpassed the prior year's revenue (run by the previous brand owner).

Revenue from the garment manufacturing segment was HK$1,876 million as compared with HK$1,928 million in 2015. Revenue from higher margin global fashion brands decreased by 2% in 2016 as compared with 2015. This was mainly attributable to the drop in orders by customers who were working down their inventory level. In 2016, global fashion brands customers accounted for 60% (2015: 59%) of the segment revenue. In general, the increase in sales of outerwear products shifted our peak production season to the second and third quarters while sales income are skewed towards Fall/Winter seasons. Sales to national brands customers decreased by 3% in 2016 as we have reduced our capacity for some categories with challenging price.

Geographically, major markets of the Group are the PRC, US and Canada and the UK, which accounted for 27% (2015: 37%), 40% (2015: 33%) and 25% (2015: 23%) respectively of the Group's total revenue. The change in geographical sales proportion is mainly due to the drop in the Group's China distribution revenue.

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

Gross Profit

During the year, the Group's overall gross profit recorded at HK$530 million (2015: HK$581 million), representing a gross profit margin of 23.5% (2015: 23.1%). The gross profit decrease as compared with 2015 mainly represented the net impact of lack of gross profit from the Jack Wolfskin China business after license termination in March 2015, and the increase in gross profit of our garment manufacturing business.

The Group's overall gross profit margin slightly improved as compared with 2015. Gross profit margin of the branded product business slightly decreased amid the margin pressure from the tough China retail market. Gross profit margin of the garment manufacturing segment was better than the previous year despite a drop in revenue. The improved margin is attributable to our continued improvements in production efficiency and cost control mainly in our China factories, as well as the benefit carried from labour rationalisation in our Hefei factory in the last year.

Other Income and Other Gains

Other income and other gains mainly include consultancy and transitional services fees income from the Jack Wolfskin China business. Due to different calculation basis, the 2016 consultancy fee income from JW PRC Co, which was calculated on agreed percentage of the 2016 gross profit of JW PRC Co, was substantially lower than the fee income in 2015 (which being substantially the entire pre-tax earnings of JW PRC Co for the period from the license termination date to 31 December 2015).

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly advertising and promotion, shop expenses and royalty of the branded product distribution, retail and trading business. Selling and distribution expenses decreased as compared to 2015 mainly due to royalty and advertising expenses dropped following the Jack Wolfskin license termination in March 2015. While the Group controlled selling and advertising costs for Nautica and Haski, planned advertising costs for C.P. Company was spent during the year.

General and Administrative Expenses

General and administrative expenses dropped by 6% to HK$506 million as compared with HK$541 million in 2015 mainly due to Jack Wolfskin license termination and cost control.

Income tax expenses

Income tax expenses for the year mainly included current income tax under our garment manufacturing business and reversal of certain deferred tax assets previously recognised under our China distribution business following squeeze on bottom line.

Segment Results

In 2016, the loss incurred by our branded product business was mainly due to reduction in consultancy fee income from JW PRC Co and investment in our brands throughout the year.

Segment results for garment manufacturing business improved in 2016 due to improvement in gross profit and savings in selling and administrative expenses.

Due to reduced revenue from the branded product business, only certain central corporate costs were allocated to that segment in 2016, therefore unallocated cost increased as compared with 2015.

Apart from the acquisition of the Japan distributor of C.P. Company in March 2016 at a consideration of HK$5 million, there were no material acquisitions or disposals of subsidiaries or associated companies during the year and up to the date of this announcement. No important events affecting the Group have occurred since 31 December 2016 and up to the date of this announcement.

Working Capital

The Group's working capital elements as included under current assets and current liabilities decreased mainly due to reduced working capital requirement following the contractual expiry of the Nautica distribution license by end of 2016, and lower outstanding receivables as compared with 2015.

Financial Resources and Liquidity

As at 31 December 2016, cash and bank balances amounted to HK$523 million (2015: HK$666 million) which mainly represented United States dollars ("US dollars") and Renminbi bank deposits. Short-term bank borrowings of the Group amounted to HK$199 million as at 31 December 2016 (2015: HK$325 million). Such borrowings were denominated in US dollars. As at 31 December 2016, HK$199 million (2015: HK$313 million) of the short-term bank borrowings were interest bearing at fixed rates, and no bank borrowings were at floating rates (2015: HK$12 million). The Group maintained sufficient banking facilities and did not have any long-term bank borrowings outstanding as at 31 December 2016. As at 31 December 2016 and 2015, banking facilities extended to the Group were not secured with the Group's assets. The gearing ratio of the Group is calculated as net borrowings divided by total capital. Net borrowings were calculated as total bank borrowings less cash and bank balances, while total capital comprised total equity plus net borrowings. The Group did not have net borrowings as at 31 December 2016, and accordingly, no information on gearing ratio as at that date is provided.

Cashflow from operation decreased as compared with the previous year mainly due to lack of Jack Wolfskin PRC sales receipt in 2016, the payment of start-up costs for C.P. Company; and the drop was partially offset by more cash inflow from the garment manufacturing business.

Shareholders' equity at 31 December 2016 decreased mainly due to exchange difference on translating the financial statements of subsidiaries in the PRC following the currency depreciation of Renminbi during 2016, loss attributable to equity shareholders for the current year and changes in hedging reserve for the forward contracts.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi, Pound Sterling and Euro. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the year ended 31 December 2016, 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 Pound Sterling sales receipts of a Europe subsidiary. Foreign currency exchange rates are volatile. Management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

Contingent Liabilities and Capital Commitments

There were no material capital commitments or contingent liabilities as at 31 December 2016 which would require a substantial use of the Group's present cash resources or external funding.

Human Resources

The Group had about 10,680 employees as at 31 December 2016 (2015: 11,680). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance were also awarded discretionary bonuses and share options.

Outlook

The year 2017 has showed improved sentiment regarding economic recovery in advanced countries, most notably the US following Donald Trump's presidential election victory. However, uncertainties are still surrounding the global economy, including potential changes in international trade policies, uncertain political and currencies conditions in the Europe and China's economic stability. The Group will stay focused on our strategy to build global brands and create greater synergy with our unique manufacturing expertise and product innovation capability.

The acquisition of C.P. Company brand brought the Group's branded product business to a new phase. We will grow C.P. Company through product differentiation, multiple sales channels and marketing efforts. C.P. Company products are masterpieces that incorporate more than 40 years of know-how in fabric development, special dying and garment construction. We will strengthen product range, innovation and design, widen our collections and ensure earlier delivery and faster shipments that effect sell-through ability. With a solid foundation, we will focus to grow existing key wholesale markets. These markets are growth engine for the brand in the coming years. We will further expand new growth markets in Europe as well as enter into the strategic North America market. Our main showroom in Milan opened in early 2017, which was highly received by existing and new European customers. In the US, we also opened a C.P. Company showroom in Soho New York in January 2017. We will add direct retail channels at suitable time and location. In addition, we established C.P. Company's proprietary e-commerce site in early 2017 and at the same time utilise distributors and online giant existing site platforms to promote online sales. We need a bold storytelling and marketing of C.P Company to customers to enhance brand awareness and credibility as well as drive strong sell-through. This involves the brand's all digital channels, intense public relations activities through existing worldwide press offices and in-store communication tools. Our pan-Europe advertising campaign will begin to roll out in 2017. We also plan to promote C.P. Company through collaboration with well-known brands.

EFM will enjoy sales growth in 2017 as we reach an ever-wider audience through our key accounts in the US as well as launching distribution in Europe in the second half of 2017.

Cissonne will build customer loyalty for its unique and premium products with excellent fabric innovation. The brand will grow direct to customer retail in China cautiously. Cissonne plans to open two more shops in 2017.

Our garment manufacturing business's return to profitability in 2016 is very positive to the Group. 2017 is still challenging for our manufacturing business. Selling prices remained under pressure due to uncertain consumer demand as well as the high inventory and promotional environment. We shall continue to expand our business with global fashion brands customers for producing complicated outerwear products. We now have outerwear products produced in our China and Thailand factories while dress up business for mass market at competitive pricing are focused in low cost Indochina production base – Vietnam and Myanmar. We shall continue to apply our unique manufacturing system in our factories to guarantee quality consistency, high productivity and finally cost efficiency. We will continue and to exercise tight cost control in all our operations.

In the near term, the Group's top-line and performance will be impacted by the expiry of Nautica license and a lower consultancy fee income from the Jack Wolfskin China business. We will strive to maintain the profitability of our garment manufacturing business. For the long-term sustainability and profitability, we will focus to grow C.P. Company's existing key markets and at the same time enter into new growth and strategic markets. We are cautious, and at the same time, invest for the future. We are confident that we shall be able to rise to the challenges ahead.

Principal Risks and Uncertainties

The Group has an enterprise risk management mechanism in place to identify, evaluate and manage its exposure to risks. Management oversees the risks and implement robust business processes to mitigate the risks. Existing and emerging risks are identified, evaluated and tracked regularly by top management and reported to the Audit Committee.

Principal risks and uncertainties affecting the Group are outlined below:

External Risks	Operational Risks	Financial Risks
Economic Slowdown	Increased Cost	Liquidity and Interest Rate
Business Partner's Change in Business Strategy	Environment & Social Responsibility	Foreign Exchange
Regulatory Risks		

The responses of the Group to the principal risks and uncertainties are set out below:

Nature of Risk	Responses
External Risks	
Economic Slowdown • The principal business activities of the Group are garment manufacturing and global branding business with worldwide customers located in Europe, North America and Asia. The industries in which the Group operates are affected by the economic conditions and consumer spending behavior in these locations. • Global sustained economic slowdown may lead to reduced customer orders.	• Geographic spread of customers and multiple sales channels will mitigate localised economic risks. • Annual budget is approved by the Board. • Quarterly financial performance and forecast are reported to the Board. • Internal review between Business Unit Heads and Corporate Finance Team on the monthly financial performance. • Monthly rolling forecast review where annual budget will be compared with actual and forecast figures. Variance analysis to account for the difference between budget and actual figures. • Monthly meeting to review business, sales and marketing performance.
Business Partner's Change in Business Strategy • Garment manufacturing customer's strategy change in sourcing locations and competitive pricing may cause the Group to lose orders and revenue. • Change in market entry and licensing strategy by brand owners of our licensed brands has caused the Group to lose distribution rights in licensing branded products.	• Our factories are located in different countries and serve a wide range of products with different price levels. • The Group's ongoing strategy in developing global branding business will help to mitigate the impact of loss of revenue in distributing branded products.
Regulatory Risks • The Group is increasingly subject to a broad and changing legal, tax, and regulatory requirements in the various jurisdictions the Group operates. New and changing policies or applications by governments may pose a risk to the Group's returns and/or subject the Group to legal challenge.	• The Group continually monitors changes in local government policies and legislation. • Ongoing long term strategic reviews with assessment of market and country concentration.

Nature of Risk	Responses
Operational Risks	
Increased Cost	
• Increased cost will impact the profitability of our business.	• For our global branding business, we have our own sourcing team with diversified supply network to handle product sourcing. • For garment manufacturing business, our Group effectively earns cut and make profit. Increased cost in fabric material has little impact to the Group. • Diversification of factories in various countries in Asia and production process improvements will help to offset the rise in wages and staff costs.
Environment & Social Responsibility	
• Failure to comply with applicable laws, regulations or standards related to environment and social responsibility may adversely impact our employees, lose production time and attract negative media attention and regulators' interest.	• Manage internal controls over our significant environmental aspects with aim to enhance the efficiency of resource use and reduce environmental emissions in our business operation. • Apply equal opportunities principles in all employment policies.
Financial Risks	
Liquidity and Interest Rate	
• Cash and treasury management may not be operating effectively leading to liquidity risk.	• Closely monitor to ensure that the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy current and planned cash needs.
• Cashflows and profitability will be negatively impacted by the movement of interest rates on bank balances and bank borrowings.	• Closely monitor the movement of market interest rate and consider interest rate hedging when necessary.
Foreign Exchange	
• The Group has operations in the PRC, Europe, North America and Japan. It earns revenues, incurs costs and makes investments in various foreign currencies and is thus exposed to foreign exchange risk arising from various currency exposures.	• The Group manages significant foreign exchange risk against the respective subsidiaries' functional currencies arising from future commercial transactions, recognised assets, liabilities and net investment in foreign operations principally by means of forward foreign exchange contracts. Our hedging strategy may not be effective in reducing all exchange risks.
• The conversion of Renminbi receipts into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange in the PRC.	• The Group endeavours to maintain adequate and reasonable amount of Renminbi deposits in the PRC and remit surplus Renminbi out of the PRC.

Relationship with Business Partners and Stakeholders

Relationship with Customers

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

Relationship with Suppliers

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

Relationship with Employees

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

Compliance with Relevant Laws and Regulations

We uphold high standards and meet relevant requirements under applicable laws or ordinances when conducting our business. We did not identify non-compliance or breach of relevant standards, rules and regulations during the year.

Environmental and Social Policies

The Group is committed to creating a sustainable and greener environment and continues to explore ways to reduce carbon emission, conserve energy and reduce wastage. We have implemented various environmental and sustainability initiatives in our factories. Being a responsible social citizen, the Group has been committed to supporting various charitable events, including making donations in relation to education, disaster reliefs and for the less-privileged, in particular supporting local society needs where our group companies locate for the long term. Since 2015, the Company has been participating in the Caring Company Scheme and we collaborated with The Salvation Army on various charitable activities, such as fund raising and volunteer works. Our first "Environmental, Social and Governance Report", which discusses in detail our initiatives on environmental and social aspects and their performance, is set out in our 2016 Annual Report.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 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 2016. 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 2016, 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 2016 (2015: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 2 June 2017 to Monday, 5 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Monday, 5 June 2017 (the "2017 AGM"), 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 4:30 p.m. on Thursday, 1 June 2017.

ANNUAL GENERAL MEETING

The 2017 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, 5 June 2017. The notice of 2017 AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements and the annual report of the Group for the year ended 31 December 2016 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, 27 March 2017

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.