*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# MAINLAND HEADWEAR HOLDINGS LIMITED
# 飛達帽業控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1100)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "Board"/"Directors") of Mainland Headwear Holdings Limited (the "Company") is pleased to announce the financial results of the Company and its subsidiaries (collectively the "Group"/"Mainland Headwear") for the year ended 31 December 2015.

## CONSOLIDATED INCOME STATEMENT
*For the year ended 31 December 2015*

| | *Note* | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|---|
| **Revenue** | *2* | **870,998** | 917,533 |
| Cost of sales | | **(605,886)** | (667,780) |
| **Gross profit** | | **265,112** | 249,753 |
| Other income | | **12,184** | 9,010 |
| Other losses – net | *3* | **(1,240)** | (578) |
| Selling and distribution costs | | **(85,947)** | (95,216) |
| Administration expenses | | **(134,202)** | (127,720) |
| **Profit from operations** | | **55,907** | 35,249 |
| Finance income | *4* | **1,413** | 1,959 |
| Finance costs | *4* | **(1,270)** | (1,256) |
| **Profit before income tax** | *5* | **56,050** | 35,952 |
| **Income tax expense** | *6* | **(4,674)** | (5,532) |
| **Profit for the year** | | **51,376** | 30,420 |

* *For identification purpose only*

| | Note | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Attributable to:** | | | |
| Owners of the Company | | **52,554** | 33,042 |
| Non-controlling interests | | **(1,178)** | (2,622) |
| | | **51,376** | 30,420 |
| **Earnings per share attributable to owners of the Company** | *7* | | |
| Basic | | **13.2 HK cents per share** | 8.3 HK cents per share |
| Diluted | | **13.0 HK cents per share** | 8.3 HK cents per share |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2015*

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | **51,376** | 30,420 |
| **Other comprehensive income** | | |
| **– Item that may be reclassified to profit or loss:** | | |
| Exchange differences on translation of financial statements of foreign operations | **(2,798)** | (5,914) |
| **– Items that will not be reclassified to profit or loss:** | | |
| Revaluation surplus upon transfer of land use rights and buildings to investment properties | **–** | 10,723 |
| Deferred tax arising from revaluation surplus upon transfer of land use rights and buildings to investment properties | **–** | (2,681) |
| Total comprehensive income for the year, net of tax | **48,578** | 32,548 |
| **Attributable to:** | | |
| Owners of the Company | **49,996** | 35,167 |
| Non-controlling interests | **(1,418)** | (2,619) |
| **Total comprehensive income for the year** | **48,578** | 32,548 |

## CONSOLIDATED BALANCE SHEET

*As at 31 December 2015*

| | Note | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **171,359** | 129,785 |
| Investment properties | | **38,522** | 38,764 |
| Goodwill | | **33,798** | 33,798 |
| Other intangible assets | | **16,834** | 21,593 |
| Available-for-sale financial asset | | **–** | 218 |
| Deferred income tax assets | | **2,323** | 3,385 |
| Other non-current receivables | *9* | **6,550** | 14,654 |
| | | **269,386** | 242,197 |
| **Current assets** | | | |
| Inventories | | **166,830** | 201,453 |
| Trade and other receivables | *9* | **163,625** | 176,705 |
| Financial assets at fair value through profit or loss | | **1,314** | 2,563 |
| Pledged bank deposits | | **–** | 1,750 |
| Short-term bank deposits | | **3,175** | – |
| Cash and cash equivalents | | **174,510** | 123,862 |
| | | **509,454** | 506,333 |
| **Total assets** | | **778,840** | 748,530 |
| **EQUITY AND LIABILITIES** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | **39,858** | 39,858 |
| Other reserves | | **228,069** | 230,458 |
| Retained earnings | | **288,204** | 247,608 |
| | | **556,131** | 517,924 |
| Non-controlling interests | | **(5,421)** | (4,003) |
| **Total equity** | | **550,710** | 513,921 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Other non-current payables | *10* | **1,075** | 1,112 |
| Long service payment payable | | **457** | 457 |
| Deferred income tax liabilities | | **3,059** | 2,681 |
| | | **4,591** | 4,250 |

| | Note | **2015** HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | *10* | **132,779** | 168,712 |
| Amounts due to related parties | | **1,003** | 943 |
| Current income tax liabilities | | **22,161** | 27,814 |
| Borrowings | | **67,596** | 32,890 |
| | | **223,539** | 230,359 |
| **Total liabilities** | | **228,130** | 234,609 |
| **Total equity and liabilities** | | **778,840** | 748,530 |
| **Net current assets** | | **285,915** | 275,974 |
| **Total assets less current liabilities** | | **555,301** | 518,171 |

*Notes*

## 1. ACCOUNTING POLICIES

The consolidated financial statements of the Company and its subsidiaries (together "the Group") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties which are carried at fair values.

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.

**Changes in accounting policy and disclosures**

***(i) New and amended standards adopted by the Group***

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2015. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

| | |
|---|---|
| HKAS 19 (2011) (Amendment) | Defined benefit plans: employee contributions |
| Annual improvements project | Annual improvements 2010-2012 cycle |
| Annual improvements project | Annual improvements 2011-2013 cycle |

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

*(ii)* ***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 operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

*(iii)* ***New and amended standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted***

The following new and amended standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group:

| | |
|---|---|
| HKAS 1 (Amendment) | Disclosure initiative[1] |
| HKAS 16 and 38 (Amendments) | Clarification of acceptance methods of depreciation and amortisation[1] |
| HKAS 16 and HKAS 41 (Amendments) | Agriculture: bearer plants[1] |
| HKAS 27 (Amendment) | Equity method in separate financial statements[1] |
| HKFRS 9 | Financial instruments[2] |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investment entities: applying the consolidation exception[1] |
| HKFRS 11 (Amendments) | Accounting for acquisitions of interests in joint operations[1] |
| HKFRS 14 | Regulatory deferred accounts[1] |
| HKFRS 15 | Revenue from contracts with customers[2] |
| Annual improvements project | Annual improvements 2012 – 2014 cycle[1] |

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

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

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 2. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision maker. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a business perspective whereby management assesses the performance of business operations by segment as follows:

(i) Manufacturing Business: The Group manufactures headwear products for sale to its Trading Business and Retail Business as well as to external customers. The principal manufacturing facilities are located in Shenzhen, the People's Republic of China ("PRC") and Bangladesh. Customers are mainly located in the United States of America ("USA").

(ii) Trading Business: The trading and distribution of headwear and other products of the Group is operating through Drew Pearson International (Europe) Ltd., ("DPI Europe") which focuses on the Europe market, and H3 Sportgear LLC ("H3") and San Diego Hat Company ("SDHC"), which focus on the United States ("US") market.

(iii) Retail Business: The Group operates headwear stores in Hong Kong, and the Sanrio stores in the PRC.

| | Manufacturing | | Trading | | Retail | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue from external customers | **539,834** | 571,276 | **218,617** | 214,143 | **112,547** | 132,114 | **870,998** | 917,533 |
| Inter-segment revenue | **76,471** | 78,420 | **194** | 477 | **–** | – | **76,665** | 78,897 |
| Reportable segment revenue | **616,305** | 649,696 | **218,811** | 214,620 | **112,547** | 132,114 | **947,663** | 996,430 |
| Reportable segment profit/(loss) | **65,927** | 39,784 | **322** | 185 | **(5,280)** | 2,389 | **60,969** | 42,358 |
| Financial assets at fair value through profit or loss and derivative financial instruments – fair value loss | | | | | | | **(751)** | (136) |
| Gain on disposal of a financial asset at fair value through profit or loss | | | | | | | **210** | – |
| Gain on settlement of derivative financial instruments | | | | | | | **–** | 42 |
| Unallocated corporate income | | | | | | | **6,765** | 5,593 |
| Unallocated corporate expenses | | | | | | | **(11,286)** | (12,608) |
| Profit from operations | | | | | | | **55,907** | 35,249 |
| Finance income | | | | | | | **1,413** | 1,959 |
| Finance costs | | | | | | | **(1,270)** | (1,256) |
| Income tax expense | | | | | | | **(4,674)** | (5,532) |
| Profit for the year | | | | | | | **51,376** | 30,420 |
| Depreciation of property, plant and equipment and amortisation of land use rights | **18,136** | 19,765 | **1,021** | 982 | **3,462** | 4,587 | **22,619** | 25,334 |
| Amortisation of other intangible assets | **–** | – | **6,685** | 8,531 | **–** | – | **6,685** | 8,531 |
| Reportable segment assets | **317,910** | 369,153 | **185,859** | 136,276 | **55,227** | 72,360 | **558,996** | 577,789 |
| Investment properties | | | | | | | **38,522** | 38,764 |
| Available-for-sale financial asset | | | | | | | **–** | 218 |
| Deferred income tax assets | | | | | | | **2,323** | 3,385 |
| Financial assets at fair value through profit or loss | | | | | | | **1,314** | 2,563 |
| Pledged bank deposits | | | | | | | **–** | 1,750 |
| Short-term deposits | | | | | | | **3,175** | – |
| Cash and cash equivalents | | | | | | | **174,510** | 123,862 |
| Other corporate assets | | | | | | | **–** | 199 |
| Total assets | | | | | | | **778,840** | 748,530 |
| Reportable segment liabilities | **91,479** | 109,463 | **14,542** | 21,231 | **26,359** | 36,384 | **132,380** | 167,078 |
| Deferred income tax liabilities | | | | | | | **3,059** | 2,681 |
| Current income tax liabilities | | | | | | | **22,161** | 27,814 |
| Bank borrowings | | | | | | | **67,596** | 32,890 |
| Other corporate liabilities | | | | | | | **2,934** | 4,146 |
| Total liabilities | | | | | | | **228,130** | 234,609 |
| Capital expenditure incurred during the year | **9,143** | 41,256 | **55,252** | 686 | **2,403** | 3,380 | **66,798** | 45,322 |

### (i) Revenue from external customers

The Group's revenue from external customers is divided into the following geographical areas based on the location at which the goods were delivered:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| USA | **534,487** | 537,957 |
| Europe | **147,606** | 167,192 |
| PRC | **88,541** | 116,125 |
| Hong Kong | **36,768** | 29,888 |
| Others | **63,596** | 66,371 |
| Total | **870,998** | 917,533 |

During 2015, revenue derived from the Group's largest customer (who are affiliated companies of a shareholder) amounted to HK$302,947,000 or 34.8% of the Group's revenue (2014: HK$295,072,000 or 32.2%). This revenue was attributable to the Manufacturing Business.

### (ii) Non-current assets

The geographical location of the non-current assets is based on the location of operations and physical location of the asset:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| USA | **104,024** | 49,765 |
| Bangladesh | **71,692** | 72,291 |
| PRC | **64,893** | 76,348 |
| Hong Kong | **9,543** | 18,706 |
| Europe | **77** | 109 |
| | **250,229** | 217,219 |
| Other intangible assets | **16,834** | 21,593 |
| Deferred income tax assets | **2,323** | 3,385 |
| | **269,386** | 242,197 |

## 3. OTHER LOSSES – NET

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Financial assets at fair value through profit or loss and derivative financial instruments – fair value loss | **(751)** | (136) |
| Gain on disposal of a financial asset at fair value through profit or loss | **210** | – |
| Gain on settlement of derivative financial instruments | **–** | 42 |
| Net foreign exchange loss | **(1,829)** | (359) |
| Revaluation gains on investment properties | **911** | – |
| Gain on disposals of property, plant and equipment | **220** | (125) |
| Loss on disposals of subsidiaries *(Note)* | **(1)** | – |
| | **(1,240)** | (578) |

*Note:*

During the year ended 31 December 2015, the Group disposed of its 100% equity interest in Manga Investments Limited and its subsidiary, United Crown International Macao Commercial Offshore Limited, for a consideration of HK$150,000. A loss on disposal of HK$1,000 was recognised in the consolidated income statement.

## 4. FINANCIAL INCOME – NET

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans, overdrafts and other borrowings | **(982)** | (670) |
| Interest on amounts due to a related company | **(25)** | (25) |
| Interest accretion on license fee payables | **(263)** | (561) |
| Interest costs | **(1,270)** | (1,256) |
| Interest income | **1,413** | 1,959 |
| Net finance income | **143** | 703 |

## 5. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Depreciation of property, plant and equipment | **22,619** | 25,303 |
| Amortisation on land use rights | **–** | 31 |
| Amortisation of other intangible assets | **6,685** | 8,531 |
| Net provision for impairment of trade and other receivables | **35** | 203 |
| Net provision for slow-moving and obsolete inventories | **7,965** | 350 |

## 6. INCOME TAX EXPENSE

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | | |
| – Current year | **1,301** | 2,614 |
| – Over-provision in prior years | **(874)** | (998) |
| | **427** | 1,616 |
| Overseas tax | | |
| – Current year | **5,775** | 6,695 |
| – Over-provision in prior years | **(3,096)** | (2,417) |
| | **2,679** | 4,278 |
| Deferred income tax | **1,568** | (362) |
| | **4,674** | 5,532 |

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

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

## 7. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | **2015** | 2014 |
|---|---|---|
| Profit attributable to owners of the Company *(HK$'000)* | **52,554** | 33,042 |
| Weighted average number of ordinary shares in issue | **398,583,284** | 398,583,284 |
| Basic earnings per share *(HK cent)* | **13.2 per share** | 8.3 per share |

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all outstanding 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 exercise of the share options.

| | **2015** | 2014 |
|---|---|---|
| Profit attributable to owners of the Company *(HK$'000)* | **52,554** | 33,042 |
| Weighted average number of ordinary shares in issue | **398,583,284** | 398,583,284 |
| Adjustment for share options | **4,219,732** | 244,417 |
| Weighted average number of ordinary shares for diluted earnings per share | **402,803,016** | 398,827,701 |
| Diluted earnings per share *(HK cent)* | **13.0 per share** | 8.3 per share |

## 8. DIVIDENDS

A final dividend in respect of the year ended 31 December 2015 of 2 HK cents per share, amounting to a total dividend of HK$7,972,000, is to be proposed at the upcoming annual general meeting. These financial statements do not reflect this dividend payable. The amount of proposed final dividend for 2015 was based on 398,583,284 (2014: 398,583,284) shares in issue as at 31 December 2015.

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend of 1 HK cent (2014: 1 HK cent) per share | **3,986** | 3,986 |
| Proposed final dividend of 2 HK cents (2014: 2 HK cents) per share | **7,972** | 7,972 |
| | **11,958** | 11,958 |

## 9. TRADE AND OTHER RECEIVABLES

| | **Group** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **133,790** | 140,731 |
| Bills receivables | **1,597** | 1,711 |
| Less: provision for impairment | **(6,006)** | (5,745) |
| Trade and bills receivables, net | **129,381** | 136,697 |
| Deposits, prepayment and other receivables | **42,099** | 56,588 |
| Less: provision for impairment | **(1,305)** | (1,926) |
| | **170,175** | 191,359 |
| Less: non-current portion of other receivables | **(6,550)** | (14,654) |
| Current portion | **163,625** | 176,705 |

The carrying amounts of the trade and other receivables approximate their fair values.

**(a)** The majority of the Group's sales are with credit terms of 30-120 days. The ageing analysis of trade receivables at the balance sheet date is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **51,820** | 64,101 |
| 31 – 60 days | **49,042** | 34,738 |
| 61 – 90 days | **14,493** | 11,297 |
| 91 – 120 days | **8,691** | 1,202 |
| Over 120 days | **9,744** | 29,393 |
| | **133,790** | 140,731 |

**(b)** The ageing analysis of trade receivables that were past due but not impaired is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1 – 30 days past due | **9,983** | 15,602 |
| 31 – 60 days past due | **5,205** | 3,575 |
| 61 – 90 days past due | **3,301** | 9,921 |
| Over 90 days past due | **5,032** | 14,429 |
| | **23,521** | 43,527 |

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

**(c)** The bills receivables represents bank acceptance notes and the maturity period is as follow:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Falling within 90 days | **1,597** | 1,711 |
| | **1,597** | 1,711 |

**(d)** Included in other receivables are notes receivable from two customers totalling HK$11,339,000 (2014: HK$16,834,000).

One note receivable of HK$709,000 (2014: HK$1,274,000) is interest bearing at 7% per annum and is repayable by monthly instalments up to July 2016. As at 31 December 2015, a provision was made against the note receivable to the extent of HK$709,000 (2014: HK$1,274,000).

Another note receivable of HK$10,630,000 (2014: HK$15,560,000) is interest bearing at 5% per annum and is repayable by quarterly instalments from January 2015 to October 2017. The note is secured by all the assets of the customer but the Group's interest in the collaterals is subordinated to the customer's major lender. The customer has also committed to place purchase orders with the Group with a minimum amount no less than US$16 million each year for three years or the duration of the loan, whichever is shorter.

**(e)** As of 31 December 2015, trade and other receivables of HK$7,311,000 (2014: HK$7,671,000) were fully impaired and provided for. All these receivables were overdue over 90 days.

The movement in provision for impairment of trade and other receivables during the year is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **7,671** | 7,475 |
| Impairment loss recognised, net | **35** | 203 |
| Uncollectible amounts written off | **(363)** | – |
| Exchange difference | **(32)** | (7) |
| At 31 December | **7,311** | 7,671 |

The Group does not hold any collateral over the impaired receivables other than the balance as described in note (d) above.

## 10. TRADE AND OTHER PAYABLES

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Trade and bills payables | **54,594** | 76,782 |
| Accrued charges and other payables | **79,260** | 93,042 |
| | **133,854** | 169,824 |
| *Less:* other non-current payables | **(1,075)** | (1,112) |
| Current portion | **132,779** | 168,712 |

The ageing analysis of the Group's trade and bills payables at the balance sheet date is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **24,378** | 40,229 |
| 31 – 60 days | **20,067** | 21,382 |
| 61 – 90 days | **2,775** | 7,420 |
| Over 90 days | **7,374** | 7,751 |
| | **54,594** | 76,782 |

# BUSINESS REVIEW

## Overview

Guided by the Group's strategic planning in the set-up of its factory in Bangladesh in 2013, our investment and two years of efforts committed to our Bangladesh factory have started to bear fruit. The Group has subsequently transferred its labour-intensive processes to the factory and continuously expanding the production capacity, while its Shenzhen factory focuses on the product development, design and manufacturing of high-end products. During the year, market demand for the Group's headwear products continued to increase. However, the fast-expanding capacity of the Bangladesh factory still could not fully satisfy the increasing volume of orders, so the Group has proactively adjusted its production plan to ensure the timely delivery of products.

The Manufacturing Business remained as our main income source and the greater contribution made by the Bangladesh factory led to the Group's outstanding performance, while the trading and retail businesses enjoyed steady performances. However, the production capacity of the Shenzhen office slightly decreased due to reduced workforce, so the Group has not been able to produce the increasing order volume despite expansion of the Bangladesh factory, hence turnover slightly dropped by 5.1% to HK$870,998,000 (2014：HK$917,533,000). Nevertheless, the Group's gross profit notably increased by 6.1% to HK$265,112,000 (2014：HK$249,753,000), benefitting from the contribution of the Bangladesh factory and cost control measures. Gross profit margin also grew by 3.2 ppt from last year to 30.4%. Thanks to stronger production efficiency and the lower production costs of the Bangladesh factory, profit attributable to shareholders surged by 59.1% to HK$52,554,000. It was indeed gratifying to see another fruitful year for the Group.

Regarding the Manufacturing Business, the Group has established a long-term business relationship with existing customers, which clearly demonstrates that our excellent quality has earned the trust of customers. During the year, the accelerated expansion of the Bangladesh factory's production capacity has enhanced the Group's operational efficiency and productivity. This in turn has contributed to its improved profitability as the facility has become an essential pillar to support our future sustainable development. The Shenzhen factory can create obvious synergies with the Bangladesh factory as it continues to focus on product development and design, manufacturing high value-added products and it can be consigned orders with a shorter delivery period involving more complicated processes.

The Trading Business has remained stable during the year. Riding on our product diversification strategy with a focus of tapping into more diversified markets, the business of this segment has continued expanding, and has continuously generated profit for the Group. During the year, the Group has actively developed the business of San Diego Hat Company ("SDHC") by further expanding the trading business' product mix with the introduction of new accessories in an effort to enlarge market share. The new products have managed to generate more income for the Group and improve the profitability of this segment.

As the global retail market was weak and slowed down during the year, the Group adopted a pragmatic business development strategy and continued to strengthen the business development of franchise stores, with the aim to minimise the impact of external adverse factors.

**Financial Review**

While market demand for our headwear products continued to rise strongly during the year, the expanded production capacity of the Group's Bangladesh factory could not fulfill the increasing orders entirely because of the slightly lower production capacity of the Shenzhen factory resulting from reduced workforce, thus our turnover slightly dropped by 5.1% to HK$870,998,000 (2014: HK$917,533,000). Nonetheless overall gross profit rose notably by 6.1% to HK$265,112,000, attributable to the Group's continued implementation of stringent cost reduction measures and the contribution from the Bangladesh factory.

In addition, after the Group improved the production efficiency of its Bangladesh factory in the year, and reduced production costs through effective cost management measures, profit attributable to shareholders of the Company soared to HK$52,554,000 (2014: HK$33,042,000), representing a significant increase of 59.1% over the previous year. Overall gross profit margin rose by 3.2 ppt to 30.4%.

**Manufacturing Business**

During the year, the Manufacturing Business remained as our main income source, accounting for 65.0% of the Group's total turnover. Despite the global economy remaining weak and the retail sector in many markets being adversely affected, we nonetheless continued to attract more orders with our quality headwear products. However, with the slightly lower production capacity of the Shenzhen office resulting from reduced workforce, the Bangladesh factory's expanded capacity could not yet fully satisfy the strong demand from the rapidly-increasing order volume, so the turnover of the manufacturing business was slightly reduced by 5% to HK$616,305,000 (2014: HK$649,696,000).

During the year, the Bangladesh factory's rapid development is perhaps most evident in its headcount rising from 85 when it opened to around 3,100 now (2014: 2,500 staff). Its monthly production capacity increased to 1.8 million pieces of headwear. As the skill set of local staff advances and they acquired the capability to manufacture mid-range-to-high-end headwear products, accompanied by enhanced production efficiency, the factory has started to generate a profit for the Group last year. Gross profit of this operation has increased by 24% to HK$139,223,000 (2014: HK$111,982,000), and operating profit surged by 66% to HK$65,927,000 (2014: HK$39,784,000). Currently, the Bangladesh factory accounts for around 60% of the Group's total production capacity, making it an engine for profit growth. Hence, the Group is speeding up the development of this factory so it can satisfy the rapidly rising order volume and generate an even bigger revenue and profit contribution. As for the factory in Shenzhen, it still has 1,500 staff and remains as the Group's R&D center. It focuses on producing high-end headwear products and handling orders with a tighter delivery period. These two factories complement each other to maximize economies of scale and facilitate asset optimisation, thus helping the Group to stand out from other industry players.

**Trading Business**

During the year, our Trading Business developed steadily. Turnover of H3, DPI and SDHC all recorded an increase, leading to a 2% growth in turnover to HK$218,811,000 in this segment (2014: HK$214,620,000). As the Group continued to enrich its product mix and expand its customer base, profit attributable to shareholders of the Trading Business amounted to HK$322,000 (2014:HK$185,000). To improve profitability, the Group has strived to expand the SDHC business by enriching the product mix with accessories, boosting its competitiveness, expanding its customer base and enlarging its market share. Our strong confidence in its brand development and prospects can be proved by our acquisition of a property in San Diego, USA during the period to serve as the headquarters of SDHC. We have also optimised trading strategies and accelerated product development to complement its business growth. The Group expects this segment will soon enter a stage where it can reap a return on its efforts.

Based on the above operating strategies and the synergies generated among our businesses the Group believes that the Trading Business will achieve stable growth in the long term and make a greater revenue contribution.

**Retail Business**

During the year, the slowdown in China's economic growth has hit the nationwide retail market hard. Although we have made flexible adjustment to retail business' sales strategies, enhanced the business development of franchise stores and strategically decreased the proportion of self-owned stores to lower operating costs, the conservative consumption sentiment in Mainland China has inevitably affected business in this segment. Turnover declined by 14.8% to HK$112,547,000 (2014: HK$132,114,000) and the operating loss was HK$5,280,000 (2014: Operating profit of HK$2,389,000).

**Sanrio**

Turnover of the Sanrio business was adversely affected by the unstable retail market in Mainland China and amounted to HK$88,267,000 (2014: HK$97,439,000). Despite this, the Group has been actively promoting the business development of Sanrio franchise stores and adopted a prudent strategy on its self-owned stores, enabling it to record an operating profit of HK$69,000 (2014: Operating profit: HK$3,538,000) during the year. Achieving profit despite the challenging market conditions has demonstrated the success of the Group's strategic plans. The Group plans to promote the innovative customer experiential retail stores in the coming year and offer a new shopping experience to customers as well as generating new income sources.

As at 31 December 2015, the Group operated a total of 33 self-owned stores and 115 franchise stores (2014: 31 self-owned stores and 117 franchise stores). It will continue to focus on the development of the franchise stores in the future.

**Headwear Sales**

Hong Kong's retail market has been weakened since last year, and our headwear sales were inevitably affected with an operating loss of HK$5,349,000 (2014: Operating loss of HK$1,149,000). To further improve headwear sales, the Group is focusing on developing the franchise stores business in the coming year and continuing to expand into second– and third-tier cities in Mainland China, with an aim to improve business performance.

Currently, the Group's headwear sales includes "NOP" and "New Era" self-owned stores in Hong Kong, as well as "NOP" franchise stores in the PRC. As of 31 December 2015, the Group operated a total of 9 "NOP" self-owned stores and 19 franchise stores, and 1 "New Era" retail store (2014: 8 "NOP" self-owned stores and 20 franchise stores, and 1 "New Era" retail store).

**Prospects**

Under the "One Belt One Road" initiative, Bangladesh has implemented a series of infrastructure construction projects in recent years including the building of highways, railways and deep water docks. The completion of a series of infrastructure projects is set to accelerate economic growth in Bangladesh and as one of the first batch of beneficiaries under the "One Belt One Road" initiative, the Group will also continue to benefit from these policies.

In 2016, the Group will increasingly focus on its Bangladesh factory for production and will continue to expand the production capacity of the factory. It aims to enhance the scale of the sample room from more than 10 staff to 80 staff. The Group also plans to improve product quality and produce mid-range to high end products, as well as boosting production efficiency by 15% to 20% and increasing production capacity to 2 million units each month. These efforts are intended to address the problem of excess demand. Besides, the Group will recruit more local staff and optimise their production skills and efficiency through training. The Shenzhen factory has accumulated extensive experience in product development and production over the years. Thus, the facility there can continue to handle orders with a shorter delivery schedule and more complicated designs, as well as conducting R&D and design work.

As for the Trading Business, the Group is striving to enhance its product mix to meet the demand from different customers and address the fast-changing market trends. Looking ahead, the Group will actively expand the SDHC business. The new headquarter established during the year will help promote the exploration of new markets and lead the way to broaden the Group's marketing network and further increase market penetration as well as supporting overall long-term business growth.

Amidst the major challenge arising from the continuously sluggish retail market, the Group will continue to strengthen its franchise strategy, pursue innovation by opening retail stores as it implements a new business model, and expand to second– and third-tier cities in the PRC. Regarding the Sanrio business, the Group plans to more actively introduce franchise stores offering an innovative customer experience such as café, juice bar, ice cream bar, etc., to broaden its customer base and boost its business performance.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Financial Resources

As at 31 December 2015, the Group had cash and bank balances, short-term deposits and a portfolio of liquid investments totaling Hong Kong dollars ("HK$") HK$179.0 million (2014: HK$126.4 million). About 55% and 19% of these liquid funds were denominated in United States dollars and Renminbi respectively and the remaining were mainly in Hong Kong dollars and Pound Sterling.

As at 31 December 2015, the Group had banking facilities of HK$340.8 million (2014: HK$243.1 million), of which HK$265.0 million (2014: HK$205.2 million) was not utilised.

The gearing ratio (being the Group's borrowings over equity) of the Group was 12.3% (2014: 6.4%). In view of the strong financial and liquidity position, the Group have sufficient financial resources to meet its commitments and working capital requirements.

### Capital Expenditure

During the year, the Group spent HK$53.4 million to acquire an industrial building in the United States (the "US") as the office and warehouse for the trading business in the US. The Group spent approximately HK$9.1 million (2014: HK$41.2 million) on additions to plant and equipment to upgrade its manufacturing capability and expansion in the Bangladesh factory. The Group also spent HK$2.4 million (2014: HK$3.4 million) on the retail systems and opening of new retail stores in 2015 and HK$1.9 million (2014: HK$0.7 million) on equipments and systems of trading business.

For the year 2015, the Group budgeted HK$40.4 million for capital expenditure. Under Manufacturing business, HK$20.0 million is for the expansion in the Bangladesh factory and equipment upgrade in the Shenzhen factory. The Group also authorised a capital commitment of HK$18.4 million in respect of acquisition of an office in the United Kingdom and renovation of office and warehouse in the US. In addition, the Group authorised a capital commitment of HK$2.0 million for the opening of new retail outlets.

The above capital expenditure is expected to be financed by internal resources of the Group and banking facilities.

**Exchange Risk**

Most assets and liabilities of the Group are denominated either in Hong Kong dollars, United States dollars, Renminbi or Bangladesh Taka. The Group estimates that any 1% appreciation of the Renminbi is expected to reduce the gross margin of the Manufacturing Business by about 0.4%. However, as the Retail businesses in the PRC market grow, the expected positive contribution will provide a hedge against the adverse effect of any appreciation of Renminbi to the manufacturing costs. The Group estimated that any 1% appreciation of the Bangladesh Taka is not expected to have material impact on the gross margin.

**Employees and Remuneration Policies**

At 31 December 2015, the Group employed 108 (2014: 108) employees in Hong Kong and Macau, 1,686 (2014: 1,829) employees in the PRC and 3,117 (2014: 2,452) employees in Bangladesh and a total of 44 (2014: 45) employees in the US and the United Kingdom. The expenditures for employees during the year were approximately HK$239.2 million (2014: HK$230.0 million). The Group ensures that the pay levels of its employees are competitive and employees were remunerated based on their position and performance. Key employees of the Group, including Directors, are also granted share options under the share option schemes operated by the Company.

## DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Directors recommend the payment of a final dividend of 2 HK cents (2014: 2 HK cent) per share in respect of the year ended 31 December 2015. Subject to the approval at the forthcoming annual general meeting, the final dividend will be payable on or after 10 June 2016 to the shareholders whose names appear on the register of members at the close of the business on 19 May 2016.

The register of members of the Company will be closed from 17 May 2016 to 19 May 2016 (both dates inclusive). In order 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 Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 May 2016.

## ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 10 May 2016. The Notice of the Annual General Meeting will be published in the Company's website and sent to the shareholders of the Company in due course.

To determine the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting which will be held on 10 May 2016, the register of members of the Company will be closed from 6 May 2016 to 10 May 2016 (both dates inclusive). In order to qualify to attend the Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5 May 2016.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2015, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code Provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2015.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

## REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group.

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes for the year ended 31 December 2015 set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an 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 PwC on the preliminary announcement.

By Order of the Board
**Ngan Hei Keung**
*Chairman*

Hong Kong, 23 March 2016

*As at the date of this announcement, the Board comprises nine directors, of which five are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, BBS, JP, Mr. James S. Patterson, Ms. Maggie Gu and Mr. Ngan Siu Hon, Alexander; one Non-executive Director, Mr. Andrew Ngan; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, JP and Mr. Gordon Ng.*