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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Share Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser. This Composite Document should be read in conjunction with the Form of Acceptance, which forms part of this Composite Document.

If you have sold or otherwise transferred all your shares in Hanbo Enterprises Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their 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 Composite Document and the accompanying Form of Acceptance.

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**Plus Value International Limited**

*(Incorporated in the British Virgin Islands with limited liability)*

**HANBO ENTERPRISES HOLDINGS LIMITED**

**恒寶企業控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1367)**

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFER FOR SHARES  
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF PLUS VALUE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES  
IN THE SHARE CAPITAL OF  
HANBO ENTERPRISES HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY PLUS VALUE INTERNATIONAL LIMITED)**

**Financial adviser to  
Plus Value International Limited**



**Financial adviser to  
Hanbo Enterprises Holdings Limited**



**Independent Financial Adviser to the Independent Board Committee**



**GOLDIN FINANCIAL LIMITED  
高銀融資有限公司**

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Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Haitong International Securities containing, among other things, the principal terms of the Share Offer is set out on pages 6 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 20 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 21 to 22 of this Composite Document. A letter from the Independent Financial Adviser containing its opinion on the Share Offer and its recommendation to the Independent Board Committee is set out on pages 23 to 34 of this Composite Document.

The procedures for acceptance and other related information of the Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. The Form of Acceptance should be received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Monday, 28 November 2016 or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive, in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details which are contained in the paragraph headed "Overseas Shareholders" in the letter from Haitong International Securities contained in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Share Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such Overseas Shareholders in respect of the acceptance of the Share Offer in such jurisdiction. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Share Offer.

This Composite Document is issued jointly by the Offeror and the Company.

**The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.**

7 November 2016

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all time and dates refer to Hong Kong local time and dates.*

Despatch date of this Composite Document and  
the accompanying Form of Acceptance and  
commencement date of the Share Offer (*Note 1*) . . . . . Monday, 7 November 2016

Latest time and date for acceptance of  
the Share Offer (*Notes 2, 3 and 5*) . . . . . by 4:00 p.m. on Monday,  
28 November 2016

Closing Date of the Share Offer  
(*Notes 2 and 5*) . . . . . Monday, 28 November 2016

Announcement of the results of the Share Offer  
as at the Closing Date to be posted on the website  
of the Stock Exchange and website of the Company  
(*Note 2*) . . . . . by 7:00 p.m. on Monday,  
28 November 2016

Latest date for posting of remittances for the amounts  
due under the Share Offer in respect of valid  
acceptances received at or before the latest time  
for acceptance of the Share Offer on the Closing Date  
(*Notes 4 and 5*) . . . . . Wednesday, 7 December 2016

*Notes:*

1. The Share Offer is made on the date of posting of this Composite Document, and is capable of acceptance on and from this date until the Closing Date.
2. The latest time for acceptance of the Share Offer is 4:00 p.m. on Monday, 28 November 2016, being 21 days following the date of this Composite Document, unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Share Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be made on the website of the Stock Exchange and the website of the Company by 7:00 p.m. on the Closing Date stating the results of the Share Offer and whether the Share Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Share Offer and the announcement does not state the next closing date, at least 14 days' notice in writing must be given before the Share Offer is closed to those Independent Shareholders who have not accepted the Share Offer and an announcement must be published.
3. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
4. Remittances in respect of the cash consideration (after deducting the seller's Hong Kong ad valorem stamp duty) payable for the Offer Shares tendered under the Share Offer will be despatched to the Accepting Shareholders by ordinary post at their own risk as soon as possible, but in any event within 7

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## EXPECTED TIMETABLE

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Business Days after the date of receipt of a duly completed acceptance in accordance with the Takeovers Code. Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 5 headed “Right of withdrawal” in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

5. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning: (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer will remain at 4:00 p.m. on the same Business Day and the posting of the remittances will be made on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warning in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code and the posting of the remittances will be made on the following Business Day which does not have either of those warning in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for the acceptance of the Share Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected, the Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:*

“Accepting Shareholders”	the Independent Shareholders who accept the Share Offer
“acting in concert”	has the meaning given to it in the Takeovers Code
“associate(s)”	has the meaning given to it in the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day (other than Saturday or Sunday or a gazetted public holiday in Hong Kong or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which the Stock Exchange is open for the transaction of business
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“Closing Date”	28 November 2016, being the closing date of the Share Offer or if the Share Offer is extended or revised, any subsequent closing date of the Share Offer as extended or revised and jointly announced by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Company”	Hanbo Enterprises Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1367)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement which took place on 20 October 2016
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company in respect of the Share Offer in accordance with the Takeovers Code
“connected persons”	has the meaning given to it in the Listing Rules
“Directors”	the directors of the Company

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## DEFINITIONS

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“Encumbrances”	mortgage, charge, pledge, lien, option, restriction, purchase right, right of first refusal, right of pre-emption, voting trust or agreement, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any of his delegates
“Facilities”	(i) loan facility of up to HK\$240,000,000 provided by Haitong International Securities, which is secured by a first ranking share charge given by the Offeror in respect of 360,000,000 Shares it holds in the Company and a personal guarantee given by Mr. Lai (the “HTSPA Facility”); and (ii) loan facility of up to HK\$171,252,000 provided by Haitong International Securities, which is to be secured by a share charge in respect of the Offer Share(s) the Offeror will acquire through the Share Offer and a personal guarantee given by Mr. Lai (the “HTGO Facility”)
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“Guarantor A”	Mr. Liu Ying Yin James (“Mr. Y. Y. Liu”), the guarantor of Happy Zone Limited, which is wholly-owned by Mr. Y. Y. Liu and being one of the Vendors
“Guarantor B”	Mr. Liu Chung Tong (“Mr. C. T. Liu”), the guarantor of Capital Oasis Holdings Limited, which is wholly-owned by Mr. C. T. Liu and being one of the Vendors
“Haitong International Capital”	Haitong International Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror
“Haitong International Securities”	Haitong International Securities Company Limited, a fellow subsidiary of Haitong International Capital, and is a licensed corporation to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO, being the agent making the Share Offer on behalf of the Offeror
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“HKSCC Nominees Limited”	a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Chung Kwok Pan, Mr. Lai Kin Keung and Mr. Lau Chart Chou, established to make recommendation to the Independent Shareholders in relation to the Share Offer
“Independent Financial Adviser” or “Goldin Financial”	Goldin Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and to make recommendation to the Independent Shareholders in relation to the Share Offer
“Independent Shareholders”	Shareholders other than the Offeror
“Joint Announcement”	the joint announcement dated 17 October 2016 jointly issued by the Offeror and the Company in relation to, among other things, the Share Offer
“Latest Practicable Date”	4 November 2016, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lai” or “Purchaser’s Guarantor”	Mr. Lai Leong, who legally and beneficially owns the entire issued share capital of the Offeror and is the sole director of the Offeror
“Offer Period”	has the meaning ascribed to it in the Takeovers Code and commencing from 17 October 2016, being the date of the Joint Announcement made pursuant to Rule 3.5 of the Takeovers Code and ending on the Closing Date
“Offer Share(s)”	issued Share(s) other than those Shares already owned or agreed to be acquired by the Offeror
“Offeror” or “Purchaser”	Plus Value International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Lai

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## DEFINITIONS

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“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of construing this Composite Document, and except where the context requires, does not include Hong Kong, Macau Special Administrative Region of the PRC or Taiwan
“Registrar”	Union Registrars Limited, the Company’s share registrar and transfer office in Hong Kong, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for receiving and processing acceptances of the Share Offer
“Relevant Period”	the period from 17 April 2016, being six months prior to 17 October 2016 (the date of commencement of the Offer Period) and ending on and including the Latest Practicable Date
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 17 October 2016 entered into among the Vendors, the Guarantors, the Purchaser and the Purchaser’s Guarantor in respect of the sale and purchase of the Sale Shares
“Sale Shares”	360,000,000 Shares beneficially owned by the Vendors as at the date of the Sale and Purchase Agreement and immediately prior to Completion, representing 75.00% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charges”	(i) the first ranking share charge given by the Offeror in favour of Haitong International Securities in respect of 360,000,000 Shares it holds in the Company pursuant to the HTSPA Facility; (ii) the second ranking share charge given by the Offeror in respect of 360,000,000 Shares it holds in the Company in relation to the secured bond issued by the Offeror in favour of Haitong International New Energy VIII Limited, an associated corporation of Haitong International Securities; and (iii) the share charge given by the Offeror in favour of Haitong International Securities in respect of the Offer Share(s) it will acquire through the Share Offer pursuant to the HTGO Facility



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## DEFINITIONS

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“Share Offer”	the mandatory unconditional cash offer being made by Haitong International Securities for and on behalf of the Offeror to acquire all of the issued Shares in the share capital of the Company (other than those Shares already owned or agreed to be acquired by the Offeror) in accordance with the terms and conditions set out in this Composite Document
“Share Offer Price”	the price at which the Share Offer is made, being HK\$1.4271 per Offer Share
“Shareholder(s)”	registered holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it in the Listing Rules
“substantial shareholder”	has the meaning given to it in the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers published by the SFC, as amended, supplemental or otherwise modified from time to time
“Vendors”	Happy Zone Limited (which is wholly-owned by Mr. Y. Y. Liu), Mr. Cheng Lap Yin, Capital Oasis Holdings Limited (which is wholly-owned by Mr. C. T. Liu), Mr. Yu Yuen Mau, Banny and Mr. Kao Lap Shing
“%”	per cent



Haitong International Securities  
Company Limited  
22/F, Li Po Chun Chambers,  
189 Des Voeux Road Central,  
Hong Kong

7 November 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER FOR SHARES  
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF PLUS VALUE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES  
IN THE SHARE CAPITAL OF  
HANBO ENTERPRISES HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY PLUS VALUE INTERNATIONAL LIMITED)**

**1. INTRODUCTION**

On 17 October 2016, the Offeror and the Company jointly announced that, (i) the Vendors, the Guarantors, the Purchaser and the Purchaser's Guarantor entered into the Sale and Purchase Agreement in relation to the conditional sale and purchase of the Sale Shares; and (ii) Haitong International Securities would, for and on behalf of the Offeror, make the Share Offer to acquire all of the Offer Shares.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 360,000,000 Shares, representing 75.00% of the existing issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror).

This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Share Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Share Offer are also set out in this letter, Appendix I to this Composite Document and the accompanying Form of Acceptance. Independent Shareholders should consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the appendices as set out in this Composite Document and consult their professional advisers before reaching a decision as to whether or not to accept the Share Offer.

## **2. SALE AND PURCHASE AGREEMENT**

Pursuant to the terms of the Sale and Purchase Agreement, the Vendors agreed to sell and the Purchaser agreed to acquire the Sale Shares, being 360,000,000 Shares, representing 75.00% of the existing issued share capital of the Company as at the date of this Composite Document, for an aggregate consideration of HK\$513,750,000, equivalent to approximately HK\$1.4271 per Sale Share, which shall be fully settled upon Completion.

Completion of the Sale and Purchase Agreement took place on 20 October 2016.

## **3. THE SHARE OFFER**

Haitong International Securities is, for and on behalf of the Offeror, making the Share Offer to acquire all of the Offer Shares on the terms set out in this Composite Document on the following basis:

### **Consideration of the Share Offer**

For each Offer Share . . . . . HK\$1.4271 in cash

The Share Offer Price of HK\$1.4271 per Offer Share is determined with reference to the purchase price per Sale Share under the Sale and Purchase Agreement, which was arrived after arm's length negotiations between the Purchaser and the Vendors.

The Share Offer is unconditional in all respects.

### **Comparisons of value**

The Share Offer Price of HK\$1.4271 per Offer Share represents:

- (a) a discount of approximately 0.90% to the closing price of HK\$1.44 per Share as quoted on the Stock Exchange on 17 October 2016, being the date of the Joint Announcement;
- (b) a discount of approximately 4.22% to the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on 14 October 2016, being the last business day immediately preceding the date of the Joint Announcement;
- (c) a discount of approximately 4.48% to the average closing price of approximately HK\$1.494 per Share for the last five consecutive trading days immediately up to and including the date of the Joint Announcement;
- (d) a discount of approximately 1.17% to the average closing price of approximately HK\$1.444 per Share for the last ten consecutive trading days immediately up to and including the date of the Joint Announcement;

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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- (e) a premium of approximately 6.74% over the average closing price of approximately HK\$1.337 per Share for the last thirty consecutive trading days immediately up to and including the date of the Joint Announcement;
- (f) a discount of approximately 6.73% to the closing price of HK\$1.53 per Share as quoted on the Stock Exchange on 4 November 2016, being the Latest Practicable Date; and
- (g) a premium of approximately 387.73% over the net asset value per Share of HK\$0.2926, calculated based on the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2016, divided by the number of issued Shares as at the Latest Practicable Date.

### **Highest and lowest Share price**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange commencing 6 months preceding the date of the Joint Announcement and ending on the Latest Practicable Date were HK\$1.55 per Share on 25 October 2016 and 26 October 2016 and HK\$0.75 per Share on 13 May 2016, respectively.

### **Holdings of Shares by the Offeror and parties acting in concert with it**

Upon Completion and as at the Latest Practicable Date, Mr. Lai, through the Offeror (which is wholly-owned by Mr. Lai), held an aggregate of 360,000,000 Shares, representing 75.00% of the then existing issued share capital of the Company.

Save and except for the Sale Shares and the Share Charges, as at the Latest Practicable Date, the Offeror and parties acting in concert with it did not have, control or have direction over any other Shares, options, derivatives, warrants or securities which are convertible into or exchangeable for securities of the Company or any other interests in the issued share capital or voting rights of the Company.

### **Dealings in securities of the Company**

Save for the Sale Shares and the Share Charges, the Offeror, its director and parties acting in concert with it have not dealt in the Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

### **Settlement of consideration**

Settlement of the consideration in respect of acceptances of the Share Offer will be made as soon as possible but in any event within seven (7) Business Days after the date of receipt of duly completed and valid acceptances in respect of the Offer Shares. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Share Offer complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to an Accepting Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

**Value of the Share Offer**

As at the Latest Practicable Date, excluding 360,000,000 Shares held by the Offeror, the number of Shares subject to the Share Offer is 120,000,000. Based on the Share Offer Price of HK\$1.4271 per Offer Share for 120,000,000 Offer Shares, the Share Offer is valued at HK\$171,252,000.

**4. CONFIRMATION OF FINANCIAL RESOURCES**

The Offeror intends to finance the consideration payable by the Offeror under the Share Offer by the HTGO Facility.

Haitong International Capital, as the financial adviser to the Offeror in respect of the Share Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration in respect of full acceptance of the Share Offer and confirm that there have been no material changes to the availability of financial resources since the date of the Joint Announcement and up until the Latest Practicable Date.

The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) relating to the HTGO Facility will depend to any significant extent on the business of the Company.

**5. FURTHER TERMS OF THE SHARE OFFER**

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period in relation to the Share Offer as set out in paragraph 1 headed “General procedures for acceptance of the Share Offer” in Appendix I to this Composite Document and the accompanying Form of Acceptance.

**Acceptance of the Share Offer**

The Share Offer is made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Offer Shares acquired under the Share Offer are sold by such person or persons free from all Encumbrances and together with all rights attaching thereto as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the Closing Date.

**Stamp duty in Hong Kong**

Sellers’ ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Accepting Shareholder at the rate of 0.1% of the consideration payable by the Offeror for such person’s Offer Shares or if higher, the

market value of the Shares, and will be deducted from the cash amount due to such Accepting Shareholder. The Offeror will pay the buyer's ad valorem stamp duty in relation to the Share Offer on its own behalf.

### **Taxation implications**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Haitong International Capital and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

### **Overseas Shareholders**

The Offeror intends to make the Share Offer available to all Independent Shareholders, including those who are not resident in Hong Kong. The making and the implementation of the Share Offer to Independent Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant overseas jurisdictions in which such Independent Shareholders are located. Such Independent Shareholders should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions, and where necessary, seek independent legal advice in respect of the Share Offer. It is the responsibility of such Independent Shareholders who have registered addresses outside Hong Kong and wish to accept the Share Offer to satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes payable by such Accepting Shareholders in such jurisdiction).

**Any acceptance of the Share Offer by such overseas Independent Shareholders will be deemed to constitute a representation and warranty from such Independent Shareholders to the Offeror that the local laws and requirements have been complied with. The overseas Independent Shareholders should consult their professional advisers if in doubt.**

## **6. INFORMATION OF THE OFFEROR**

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Lai. The sole director of the Offeror is Mr. Lai.

During the nine-year period from August 2007 to June 2016, Mr. Lai has been a substantial shareholder of China Smarter Energy Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1004). He is currently, and has been for a total of around 6 years, an executive director of China Smarter Energy Group Holdings Limited whose principal businesses included trading of fur

garments. From February 2002 to June 2009, Mr. Lai was an executive director of China Power New Energy Development Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 735).

Immediately prior to the entering into of the Sale and Purchase Agreement, the Purchaser and its ultimate beneficial owner did not hold any Share and were third parties independent of the Company and its connected persons.

## **7. INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP**

Following completion of the Share Offer, the Offeror will review the businesses of the Group to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of the Group.

It is the Offeror's intention that the Group will continue to operate its business in substantially its current state. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group, taking into consideration the interests of the Shareholders as a whole.

The Board is currently made up of eight Directors, comprising five executive Directors and three independent non-executive Directors. All the existing Directors will resign from the Board with effect from the date after the close of the Share Offer. The Offeror proposes to nominate two executive Directors and three independent non-executive Directors with effect from the date after the close of the Share Offer and such changes of the Board will be made in compliance with the Takeovers Code and the Listing Rules.

### **Biographies of new executive Directors nominated by the Offeror**

Mr. Lam Kwan Sing ("Mr. Lam"), aged 47, he obtained a Bachelor of Arts in Accountancy degree from the City University of Hong Kong. Mr. Lam has over 18 years of experience in the commercial and corporate finance field. He is a director of China Natural Resources Inc., a company listed on NASDAQ, since 2003. Mr. Lam is also an executive director of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) and an independent non-executive director of Hao Tian Development Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 474). He was an executive director and chief executive officer of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1808) from February 2012 to May 2015.

Mr. Wong Nga Leung ("Mr. Wong"), aged 38, he obtained a Master of Commerce and Bachelor of Commerce degrees from The University of New South Wales, Sydney. He is a Chartered Financial Analyst. He is an executive director of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004).



**Biographies of new independent non-executive Directors nominated by the Offeror**

Mr. Fok Ho Yin, Thomas (“Mr. Fok”), aged 45, he is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia and is also a Chartered Financial Analyst. Mr. Fok is an independent non-executive Director of Landing International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 582) and China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004). Mr. Fok was an executive director of Jian ePayment Systems Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8165) from 1 September 2007 to 31 July 2016.

Mr. Chan Wai Cheung, Admiral (“Mr. Chan”), aged 43, holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has extensive experience in accounting and auditing field. Mr. Chan is an executive director of Energy International Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 353), an independent non-executive director of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 996) and a non-executive director of China Nonferrous Metals Company Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8306). He was an independent non-executive director of Jia Meng Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8101) from 26 September 2013 to 22 May 2016.

Mr. Hon Ming Sang (“Mr. Hon”), aged 37. Mr. Hon is a CFA charter. He is also member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Hon is an executive director and the company secretary of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) and an independent non-executive director of Runway Global Holdings Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1520). He was an executive director, financial controller and qualified accountant of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 996) from January 2010 to January 2014.

Save for the change in Board composition, the Offeror has no intention to (i) discontinue the employment of the employees of the Group; or (ii) re-deploy any fixed assets of the Group other than those in its ordinary and usual course of business.



## **8. COMPULSORY ACQUISITION AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror does not intend to avail itself of any powers of compulsory acquisition in respect of the Company. The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. On 17 October 2016, the Offeror and Haitong International Securities have entered into a placing agreement pursuant to which Haitong International Securities has been appointed as placing agent for the reasonable efforts placing of such number of Shares to be held by the Offeror upon close of the Share Offer in excess of 360,000,000 (being such number of Shares representing 75.00% of Shares in issue), at a placing price being the then prevailing market of the Shares, within a period of 90 days from the date immediately following the close of the Share Offer (or such other period as the Offeror and Haitong International Securities may agree in writing), to independent third parties who are not Shareholders. Accordingly, the placing arrangement contemplated under the placing agreement will not take effect prior to the close of the Share Offer.

The Stock Exchange has stated that, if, upon the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

## **9. GENERAL**

The attention of Overseas Shareholders is drawn to the paragraph headed "Overseas Shareholders" in Appendix I to this Composite Document.

No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares will be given.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or, in case of joint holders to the Independent Shareholder whose name appears first in the register of members of the Company, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar in respect of the Share Offer. None of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, Haitong International Securities, Haitong International Capital, the Independent Financial Adviser, the Registrar, any of their respective directors,

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**LETTER FROM HAITONG INTERNATIONAL SECURITIES**

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officers, advisers, associates, agents or any persons involved in the Share Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

**10. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information regarding the Share Offer, the Offeror and the Group set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser in respect of the Share Offer as contained in this Composite Document and to consult your professional advisers as you see fit.

Yours faithfully,  
For and on behalf of  
**Haitong International Securities Company Limited**  
**Hui Yee, Wilson**  
*Managing Director*



**HANBO ENTERPRISES HOLDINGS LIMITED**

**恒寶企業控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1367)**

*Executive Directors:*

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

*Independent non-executive Directors:*

Mr. CHUNG Kwok Pan  
Mr. LAI Kin Keung  
Mr. LAU Chart Chou

*Registered Office:*

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

*Head Office and Principal place of  
business in Hong Kong:*

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

7 November 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER FOR SHARES  
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF PLUS VALUE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES  
IN THE SHARE CAPITAL OF  
HANBO ENTERPRISES HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY PLUS VALUE INTERNATIONAL LIMITED)**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the Joint Announcement. On 17 October 2016 (after trading hours), the Vendors, the Guarantors, the Purchaser and the Purchaser's Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being 360,000,000 Shares, representing 75.00% of the existing issued share capital of the Company as at the Latest Practicable Date, for an aggregate consideration of HK\$513,750,000, equivalent to approximately HK\$1.4271 per Sale Share, which was agreed between the Purchaser and the Vendors after arm's length negotiations. The Sale Shares represent the entire holding of Shares by the Vendors immediately prior to the entering into of the Sale and Purchase Agreement. Following the fulfilment of all the conditions precedent of the Sale and Purchase Agreement, Completion took place on 20 October 2016.

Immediately upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 360,000,000 Shares in aggregate, representing 75.00% of the existing issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror).

As at the Latest Practicable Date, the Company has 480,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Share Offer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Share Offer and as to acceptance of the Share Offer; and (iii) the letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in relation to the Share Offer.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Chung Kwok Pan, Mr. Lai Kin Keung and Mr. Lau Chart Chou, has been established to advise the Independent Shareholders in respect of the Share Offer. Goldin Financial has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Share Offer, in particular as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer. The appointment of Goldin Financial has been approved by the Independent Board Committee.

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## LETTER FROM THE BOARD

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You are advised to read the “Letter from the Independent Board Committee” addressed to the Independent Shareholders, the “Letter from the Independent Financial Adviser” and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Share Offer.

### THE SHARE OFFER

#### Principal terms of the Offer

The terms of the Share Offer as set out in the “Letter from Haitong International Securities” are extracted below. You are recommended to refer to the “Letter from Haitong International Securities” and the accompanying Form of Acceptance for further details.

Haitong International Securities, for and on behalf of the Offeror, is making the Share Offer to acquire all of the Offer Shares on the following terms in accordance with Rule 26.1 of the Takeovers Code:

**For each Offer Share . . . . . HK\$1.4271 in cash**

The Share Offer Price of HK\$1.4271 per Offer Share is determined with reference to the purchase price per Sale Share under the Sale and Purchase Agreement, which was arrived after arm’s length negotiations between the Purchaser and the Vendors. The Offer is unconditional in all respects.

Further details regarding the Share Offer, including the terms and procedures for acceptance of the Share Offer are set out in the “Letter from Haitong International Securities” and Appendix I to this Composite Document and the accompanying Form of Acceptance.

### INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands and is an investment holding company. The Group is principally engaged in trading of apparel products and provision of apparel supply chain management services.

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**LETTER FROM THE BOARD**

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Set out below is a summary of the audited consolidated results of the Group for each of the two financial years ended 31 December 2014 and 2015 and the unaudited consolidated results of the Group for the six months ended 30 June 2016, as extracted from the accounts prepared in accordance with Hong Kong Financial Reporting Standards in the Company's annual report for the year ended 31 December 2015 and the Company's interim report for the six months ended 30 June 2016 respectively:

	<b>For the year ended 31 December</b>		<b>For the six months ended</b>
	<b>2014</b>	<b>2015</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Revenue	334,819	355,952	207,605
Profit/(loss) before tax	(16,803)	(4,378)	5,088
	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Total assets	193,111	184,516	183,494
Total liabilities	51,010	48,087	43,044
Net assets	142,101	136,429	140,450

Your attention is drawn to the further details of the information of the Group as set out in Appendices II and III to this Composite Document.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE

Set out below are the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and as at the Latest Practicable Date:

Shareholders	Immediately prior to Completion		Immediately upon Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate % of shareholding (%)</i>	<i>Number of Shares</i>	<i>Approximate % of shareholding (%)</i>
<b>Vendors</b>				
Happy Zone Limited	156,060,000	32.51	—	—
Mr. Cheng Lap Yin	165,600,000	34.50	—	—
Capital Oasis Holdings Limited	18,360,000	3.83	—	—
Mr. Yu Yuen Mau, Banny	10,800,000	2.25	—	—
Mr. Kao Lap Shing	<u>9,180,000</u>	<u>1.91</u>	<u>—</u>	<u>—</u>
	360,000,000	75.00	—	—
<b>The Offeror and parties acting in concert with it</b>				
The Purchaser	<u>—</u>	<u>—</u>	<u>360,000,000</u>	<u>75.00</u>
Public Shareholders	<u>120,000,000</u>	<u>25.00</u>	<u>120,000,000</u>	<u>25.00</u>
<b>Total</b>	<u><u>480,000,000</u></u>	<u><u>100.00</u></u>	<u><u>480,000,000</u></u>	<u><u>100.00</u></u>

### INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from Haitong International Securities” as set out in this Composite Document.

### INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from Haitong International Securities” as set out in this Composite Document. The Board is pleased to note the Offeror’s intention to continue to operate the business of the Group in substantially its current state. All the existing Directors will resign from the Board with effect from the date after the close of the Share Offer. The Offeror proposes to nominate new Directors to the Board with effect from the date after the close of the Share Offer, details of which are set out in the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from Haitong International Securities”.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the Director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

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## LETTER FROM THE BOARD

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The Stock Exchange has stated that, if, upon the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

### RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 21 to 22 of this Composite Document and the “Letter from the Independent Financial Adviser” set out on pages 23 to 34 of this Composite Document, which contain, among other things, their advice in relation to the Share Offer and the principal factors considered by them in arriving at their recommendation.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Share Offer.

Yours faithfully,  
By order of the Board  
**Hanbo Enterprises Holdings Limited**  
**Cheng Lap Yin**  
*Chairman and Executive Director*



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Share Offer which has been prepared for the purpose of inclusion in this Composite Document.*



**HANBO ENTERPRISES HOLDINGS LIMITED**

**恒寶企業控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1367)**

7 November 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER FOR SHARES  
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF PLUS VALUE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES  
IN THE SHARE CAPITAL OF  
HANBO ENTERPRISES HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY PLUS VALUE INTERNATIONAL LIMITED)**

We refer to this Composite Document dated 7 November 2016 jointly issued by the Offeror and the Company, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Share Offer and to advise you as to whether, in our opinion, the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer. Goldin Financial has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 23 to 34 of the Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We also wish to draw your attention to the “Letter from the Board”, the “Letter from Haitong International Securities” and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms of the Share Offer and the acceptance and settlement procedures for the Share Offer.

Having taken into account the terms of the Share Offer and the advice from Goldin Financial, we consider that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Share Offer.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the period of the Share Offer. Should the market price of the Shares exceed the Share Offer Price during the period of the Share Offer, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Share Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Share Offer are recommended to read carefully the procedures for accepting the Share Offer as detailed in the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,  
The Independent Board Committee of  
**Hanbo Enterprises Holdings Limited**

**Mr. Chung Kwok Pan**  
*Independent non-executive  
Director*

**Mr. Lai Kin Keung**  
*Independent non-executive  
Director*

**Mr. Lau Chart Chou**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Goldin Financial setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Share Offer, which has been prepared for the purpose of inclusion in this Composite Document.*



**GOLDIN FINANCIAL LIMITED**  
**高銀融資有限公司**

**Goldin Financial Limited**  
Suites 2202–2209, 22/F  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

7 November 2016

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER FOR SHARES  
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF PLUS VALUE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES  
IN THE SHARE CAPITAL OF  
HANBO ENTERPRISES HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY PLUS VALUE INTERNATIONAL LIMITED)**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Offer. The details of the Share Offer, among other things, are set out in the Composite Document dated 7 November 2016, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

With reference to the Joint Announcement and the completion announcement of the Company dated 20 October 2016, the Company has been informed that after trading hours on 17 October 2016, the Vendors, the Guarantors, the Purchaser and the Purchaser's Guarantor entered into the Sale and Purchase Agreement in relation to the conditional sale and purchase of the Sale Shares, being 360,000,000 Shares, representing 75.00% of the existing issued share capital of the Company as at the date of the Joint Announcement, for an aggregate consideration of HK\$513,750,000, equivalent to approximately HK\$1.4271 per Sale Share, which was agreed between the Purchaser and the Vendors after arm's length negotiations and is to be fully settled upon Completion. The Completion took place on 20 October 2016.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Prior to Completion, the Offeror and parties acting in concert with it did not hold any Shares in the share capital or voting rights of the Company. Immediately upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 360,000,000 Shares in aggregate, representing 75.00% of the existing issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, following Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror).

As at the Latest Practicable Date, the Company has 480,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chung Kwok Pan, Mr. Lai Kin Keung and Mr. Lau Chart Chou, has been established to make a recommendation to the Independent Shareholders in relation to the Share Offer as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer.

We, Goldin Financial, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Share Offer. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

Apart from the normal professional fees for our services to the Company in connection with the engagements described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, the Offeror, their respective substantial shareholders, directors or chief executive, their respective associates, or any party acting in concert with any of them, as at the Latest Practicable Date. We are independent under Rule 13.84 of the Listing Rules and under the Takeovers Code to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Share Offer.

### **BASIS OF OUR ADVICE**

In formulating our opinion and recommendations, we have relied on the statements, information and representations contained or referred to in the Composite Document and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in the Composite Document and all information provided and representations made by the Directors and the management of the Company

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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for which they are solely responsible, are true and accurate in all material respects as at the Latest Practicable Date and Shareholders will be notified of material changes as soon as possible, if any, in accordance with Rule 9.1 of the Takeovers Code. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the management of the Company. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld; nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided; nor have we conducted any independent investigation into the business and affairs of the Group and the Offeror.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Share Offer, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In giving our recommendations on the Share Offer to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### **1. Background information of the Group**

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

##### ***1.1 Financial overview of the Group***

Set out below is a summary of the audited financial information of the Group for the two financial years ended 31 December 2014 and 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015 (the “Annual Report 2015”) and the unaudited financial information of the

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Group for the six months ended 30 June 2015 and 2016, respectively, as extracted from the interim report of the Company for the six months ended 30 June 2016 (the “Interim Report 2016”).

*Table 1: Financial highlights of the Group*

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2016</b>	<b>2015</b>
	(audited)	(audited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	355,952	334,819	207,605	235,682
Profit/(Loss) for the year/period attributable to owners of the Company	(5,367)	(17,839)	4,136	3,593
				<b>As at</b>
				<b>30 June</b>
				<b>2016</b>
				(unaudited)
				<i>HK\$'000</i>
Non-current assets	11,807	6,038		11,054
Current assets	172,709	187,073		172,440
Current liabilities	47,335	50,429		42,335
Non-current liabilities	752	581		709
Net current assets	125,374	136,644		130,105
Net assets	136,429	142,101		140,450

*For the year ended 31 December 2015*

For the year ended 31 December 2015, the Group recorded revenue of approximately HK\$355.95 million, representing an increase of approximately 6.31% as compared to approximately HK\$334.82 million as recorded in the previous year. Based on the Annual Report 2015, we understand the increase in revenue was primarily a result from the combined effect of some customers with (i) improvement of product development conversion to sales; (ii) betterment of customer communication channel thus relationship; (iii) more appropriate provision of supply chain service; and (iv) enhanced effort to maintain cost stability and competitiveness.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the year ended 31 December 2015, the Group recorded loss attributable to owners of the Company of approximately HK\$5.37 million, representing an improvement from the loss attributable to owners of the Company of approximately HK\$17.84 million as recorded in the previous year. We noted that such reduction in loss attributable to owners of the Company was mainly attributable to (i) the increase in revenue as described in the above paragraph; (ii) the increase in other income and gain of approximately HK\$4.23 million; and (iii) the absence of one-off listing expenses of approximately HK\$11.4 million which were incurred in the previous year.

As at 31 December 2015, the Group's net current assets amounted to approximately HK\$125.37 million, representing a decrease of approximately 8.25% as compared to the Group's net current assets of approximately HK\$136.64 million as at 31 December 2014. As at 31 December 2015, the net assets of the Group amounted to approximately HK\$136.43 million, representing a decrease of approximately 3.99% as compared to the net assets of the Group of approximately HK\$142.10 million as at 31 December 2014. The net asset value per Share as at 31 December 2015 amounted to approximately HK\$0.28 (based on the number of issued Shares as at 31 December 2015 of 480,000,000 Shares), representing a decrease of approximately 6.67% from the net asset value per Share of approximately HK\$0.30 as at 31 December 2014 (based on the number of issued Shares as at 31 December 2014 of 480,000,000 Shares).

*For the six months ended 30 June 2016*

For the six months ended 30 June 2016, the Group recorded revenue of approximately HK\$207.61 million, representing a decrease of approximately 11.91% as compared to approximately HK\$235.68 million as recorded in the previous corresponding period. With reference to the Interim Report 2016, the decrease in revenue is mainly due to the decrease in Group's sales to a customer because of change in its sourcing strategy with reference to the historical profitability from such customer.

For the six months ended 30 June 2016, the Group recorded profit attributable to owners of the Company of approximately HK\$4.14 million, representing an increase of approximately 15.32% from the profit attributable to owners of the Company of approximately HK\$3.59 million as recorded in the previous corresponding period. We noted from the Interim Report 2016 that such increase in profit attributable to owners of the Company was mainly attributable to the decrease in administrative expenses due to group restructuring in March and April 2016 to streamline the operations of the Group, which is further elaborated in the below sub-section headed "**1.2 Prospect and outlook of the Group**".



As at 30 June 2016, the Group's net current assets amounted to approximately HK\$130.11 million, representing an increase of approximately 3.77% as compared to the Group's net current assets of approximately HK\$125.37 million as at 31 December 2015. As at 30 June 2016, the net assets of the Group amounted to approximately HK\$140.45 million, representing an increase of approximately 2.95% as compared to the net assets of the Group of approximately HK\$136.43 million as at 31 December 2015. The net asset value per Share as at 30 June 2016 amounted to approximately HK\$0.29 (based on the number of issued Shares as at 30 June 2016 of 480,000,000 Shares), representing an increase of approximately 3.57% from the net asset value per Share of approximately HK\$0.28 as at 31 December 2015 (based on the number of issued Shares as at 31 December 2015 of 480,000,000 Shares).

### ***1.2 Prospect and outlook of the Group***

As observed from the above financial overview of the Group in recent years/ periods, we noticed the rate of sales growth is relatively moderate for the year ended 31 December 2015 and the sales growth for the six months ended 30 June 2016 was negative as compared to the respective previous period. As further noted from the Interim Report 2016, the management of the Group is of the view that the business environment for the apparel supply chain management services business will continue to remain challenging in the second half of the year 2016 as a result of increased competition in the apparel industry. Upon further discussion with management of the Company, we were given to understand that the principal operating activities of the Group, being the trading of apparel products and provision of the apparel supply chain management services, were influenced by the prevailing economic situation in the major market of the Group. The Group's revenue from external customers, based on locations of the products shipped to, were attributed to the United States, which accounted for approximately 98.60% of revenue of the Group for the six months ended 30 June 2016, approximately 92.6% of revenue of the Group for the year ended 31 December 2015 and approximately 88.6% of revenue of the Group for the year ended 31 December 2014. It is noted that the United States has been suffering from a frail economy and weak consumer spending. According to the statistics available from the Bureau of Economic Analysis of the U.S. Department of Commerce, the latest estimates of gross domestic product, a widely-used economic indicator, increased at an annual rate of 1.4% in the second quarter of 2016, which is the same as the annual growth rate as recorded in the fourth quarter of 2015. Such weak growth in gross domestic product demonstrates the economy in the U.S. continue to remain sluggish. The U.S. Department of Commerce reveals that retail sales in August 2016 fell by 0.3%, indicating a sign of weak consumer spending.

In order to stay competitive, the Group has been exploring ways and has increased its effort by streamlining its operation to establish closer strategic partnership with subcontractors to offer competitive prices, shorten delivery time of the sales orders and provide data analysis to customers. Besides, the Group



continues to employ information technology such as radio frequency identification tag and electronic data interchange solutions in the enterprise resource planning system to improve efficiency, transparency of order status and production planning. Given the active approach taken by the Group, the financial performance have improved as evidenced by the increase in profit attributable to owners of the Company from approximately HK\$3.59 million for the six months ended 30 June 2015 to approximately HK\$4.14 million for the six months ended 30 June 2016. However, in view of the short reporting period which only reflect the financial performance of the Group for the six months period and the relatively gradual growth in revenue for the six months ended 30 June 2016, we consider that it is uncertain as to whether the Group would be able to maintain such performance throughout the financial year amid the keen competition in the industry that the Group faces and the slowing down of economy in the major market of the Group.

## **2. Principal terms of the Share Offer**

Haitong International Securities, for and on behalf of the Offeror, is making the Share Offer to acquire all of the Offer Shares in accordance with Rule 26.1 of the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$1.4271 in cash**

The Share Offer Price of HK\$1.4271 per Offer Share is determined with reference to the purchase price per Sale Share under the Sale and Purchase Agreement, which was arrived after arm's length negotiations between the Purchaser and the Vendors. The Share Offer will be unconditional in all respects.

The Share Offer Price of HK\$1.4271 represents:

- (i) a discount of approximately 0.90% to the closing price of HK\$1.44 per Share as quoted on the Stock Exchange on 17 October 2016, being the date of the Joint Announcement;
- (ii) a discount of approximately 4.22% to the closing price of HK\$1.49 Share as quoted on the Stock Exchange on 14 October 2016, being the last trading day immediately preceding the date of the Joint Announcement;
- (iii) a discount of approximately 4.48% to the average closing price of approximately HK\$1.494 per Share for the last five consecutive trading days immediately up to and including the date of the Joint Announcement;
- (iv) a discount of approximately 1.17% to the average closing price of approximately HK\$1.444 per Share for the last ten consecutive trading days immediately up to and including the date of the Joint Announcement;

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- (v) a premium of approximately 6.74% over the average closing price of approximately HK\$1.337 per Share for the last thirty consecutive trading days immediately up to and including the date of the Joint Announcement;
- (vi) a discount of approximately 6.73% to the closing price of HK\$1.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a premium of approximately 387.73% over the net asset value per Share of approximately HK\$0.2926 calculated based on the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$140.45 million and the 480,000,000 Shares in issue as at the Latest Practicable Date.

To assess the fairness and reasonableness of the Share Offer Price, we have analysed the Share Offer Price with reference to (i) the historical Share price performance; and (ii) the recent market comparables of general cash offers.

*Historical Share price performance*

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 19 October 2015 (being the first trading day of the 12-month period ending on the date of the Joint Announcement) up to and including the Latest Practicable Date (the “Review Period”). We consider the Review Period which covers a full year prior to the date of the Joint Announcement represents a reasonable period to provide a general overview of the recent price performance of the Shares when conducting an analysis among the historical closing prices of the Shares and the Share Offer Price.

*Chart 1: Share price performance against the Share Offer Price during the Review Period*



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in Chart 1 above, the closing prices of the Shares during the Review Period were trading within a range from the lowest closing price at HK\$0.54 per Share to the highest closing price of HK\$1.55 per Share with an average closing price per Share of approximately HK\$0.87. The Share Offer Price of HK\$1.4271 represents a premium of approximately 164.28% over the lowest closing price, a discount of approximately 7.93% to the highest closing price and a premium of approximately 64.03% over the average closing price during the Review Period, respectively. As observed from Chart 1, the closing prices of the Shares were generally on an increasing trend and the closing prices of the Shares were always below the Share Offer Price, as noted from the start of the Review Period to 6 October 2016, representing over 90% of the trading days during the

Review Period. We also noted from Chart 1 that the closing prices of the Shares show a fluctuating pattern after the date of the Joint Announcement up to the Latest Practicable Date. We noted that save for the Joint Announcement, the Company did not publish any price sensitive information relating to financial performance of the Group. Therefore, we consider that such fluctuation of the Share prices after the date of the Joint Announcement which represents a premium to the Share Offer Price was primarily the result of market speculation and we consider such Share price fluctuation not relevant in our analysis of the Share Offer Price.

Taking into account that the Share Offer Price represents a premium of approximately 64.03% over the average closing price of the Shares during the Review Period, we consider that Share Offer Price is fair and reasonable.

*Comparison of the Share Offer Price*

To further evaluate the fairness and reasonableness of the Share Offer Price, we have attempted to identify companies which are (i) listed on the Main Board of the Stock Exchange; (ii) with principal business being the trading of apparel products and provision of the apparel supply chain management services; and (iii) with revenue derived from the United States contributing over 80% of total revenue as per the respective latest audited financial statements. However, we are unable to identify such companies which fall in the aforesaid criteria. We have also considered using valuation approach such as price-to-earnings ratio and price-to-book ratio for analysis. Given that the Group was in a loss-making position for the year ended 31 December 2015, profit-to-earnings ratio analysis is not applicable. While the Company is a trading company in nature, we consider that price-to-book ratio analysis is also not applicable as the Company depends less on net assets for its business operation. In this connection, we consider comparable analysis in respect of the Share Offer Price is not applicable.

**3. Background and intention of the Offeror**

*Information of the Offeror*

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Lai, who is a substantial Shareholder. The sole director of the Offeror is Mr. Lai.

During the nine-year period from August 2007 to June 2016, Mr. Lai has been a substantial shareholder of China Smarter Energy Group Holdings Limited (“China Smarter”), the shares of which is listed on the Main Board of the Stock Exchange (Stock Code: 1004). He is currently, and has been for a total of around 6 years, an executive director of China Smarter whose principal businesses included trading of fur garments. From February 2002 to June 2009, Mr. Lai was an executive director of China Power New Energy Development Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 735).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Intentions of the Offeror in relation to the Group*

Upon the Completion which took place on 20 October 2016, the Offeror has become the controlling Shareholder of the Company. The Offeror intends that the Group will continue to operate its business in substantially its current state and will maintain the listing status of the Company after the close of the Share Offer. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations in order to increase the value of the Group, taking into consideration the interests of the Shareholders as a whole. We note that the Offeror will review the businesses of the Group to consider and determine what changes, if any, would be necessary, appropriate or desirable, in both long term and short term, in order to best organise and optimise the businesses and operations of the Group, following the completion of the Share Offer.

The Board is currently made up of eight Directors, comprising five executive Directors and three independent non-executive Directors. All the existing Directors will resign from the Board with effect from the date after the close of the Share Offer. The Offeror proposes to nominate two executive Directors and three independent non-executive Directors with effect from the date after the close of the Share Offer and such changes of the Board will be made in compliance with the Takeovers Code and the Listing Rules. Save in connection with the Offeror's intention as set out above and the proposed change of Board composition, the Offeror has no intention to discontinue the employment of the employees of the Group or to re-deploy any fixed assets of the Group other than those in its ordinary and usual course of business.

### **RECOMMENDATIONS**

Based on the above principal factors and reasons for the Share Offer, which are summarised as below:

- (i) the Group recorded loss attributable to owners of the Company for two consecutive financial years ended 31 December 2015 and 31 December 2014;
- (ii) the Share Offer Price represents a premium of approximately 64.03% over the average closing price of the Shares during the Review Period, which represents a reasonable period to provide a general overview of the recent price performance of the Shares when conducting an analysis among the historical closing prices of the Shares and the Share Offer Price, despite the Share Offer Price represents a discount to the recent Share prices which we consider not relevant for analysis;
- (iii) the Share Offer Price is above the closing price of the Shares for more than 90% of the trading days during the Review Period; and
- (iv) the prospects and outlook of the Group is uncertain given the slowing down of economy in the major market of the Group,

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we are of the view that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, accept the Share Offer.

Independent Shareholders who wish to realise their investment in the Shares should monitor the Share price performance. Should the market price of the Shares exceed the Share Offer Price, those Independent Shareholders who wish to accept the Share Offer should consider realising their investments in the stock market if the net proceeds from such Shares exceed the net amount receivable under the Share Offer. However, those Shareholders who are confident in the future prospects of the Group should consider retaining some or all of their interest in the Shares.

Yours faithfully,  
For and on behalf of  
**Goldin Financial Limited**

**Billy Tang**  
*Director*

*Note: Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin Financial to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance profession.*

**1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER**

To accept the Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong marked “Hanbo Enterprises Holdings Limited — Share Offer” on the envelope as soon as possible but in any event so as no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of all or part of your Shares, you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer to the Registrar in an envelope marked “Hanbo Enterprises Holdings Limited — Share Offer”; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar in an envelope marked “Hanbo Enterprises Holdings Limited — Share Offer”; or



- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed, signed and delivered in an envelope marked "Hanbo Enterprises Holdings Limited — Share Offer" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the Share certificate(s) and/or transfer receipt(s) and/or other documents of title in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "Hanbo Enterprises Holdings Limited — Share Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Haitong International Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf



the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (e) Acceptance of the Share Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required by the Takeovers Code have been so received, and is:
  - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (for example, grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by each Accepting Shareholder at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Accepting Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares will be given.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Share Offer has previously been revised or extended with the consent of the Executive or otherwise in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) The Offeror reserves the right to revise the terms of the Share Offer after the despatch of this Composite Document until such day as they may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Share Offer, all the Independent Shareholders, whether or not they have already accepted the Share Offer, will be entitled to accept the revised Share Offer under the revised terms.
- (c) If the Share Offer is extended, the Offeror will issue an announcement in relation to any extension of the Share Offer, which announcement will state either the next closing date or, a statement that the Share Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Share Offer is closed to those Independent Shareholders who have not accepted the Share Offer.
- (d) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date of the Share Offer so extended.
- (e) Any acceptance of the relevant revised Share Offer shall be irrevocable unless and until the Independent Shareholders who accept the Share Offer become entitled to withdraw their acceptance under paragraph 5 headed "Right of withdrawal" in this Appendix I below and duly do so.

## **3. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

**4. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Share Offer. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Share Offer has been revised, extended or expired.
- (b) The announcement will state, among other matters, the following:
  - (i) the total number of Offer Shares for which acceptances of the Share Offer have been received;
  - (ii) the total number of Shares held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period;
  - (iii) the total number of Shares acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it;
  - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
  - (v) the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (c) In computing the total number of Shares represented by acceptances as of the Closing Date, only valid acceptances in complete and good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, which have been received by the Registrar, no later than 4:00 p.m. on the Closing Date, shall be included.
- (d) If the Offeror, the parties acting in concert with it or its advisers make any statement about the level of acceptances or the number or percentage of Accepting Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.
- (e) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Share Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments, will be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

**5. RIGHT OF WITHDRAWAL**

- (a) Acceptances of the Share Offer shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph.
- (b) In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Share Offer as described in the paragraph 4 headed “Announcements” in this Appendix I above, the Executive may require that Accepting Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.
- (c) If an Accepting Shareholder withdraws the acceptance or if the Share Offer lapse, the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Accepting Shareholders.

**6. SETTLEMENT OF THE SHARE OFFER**

Provided that a valid Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the Accepting Shareholders, less seller’s ad valorem stamp duty, in respect of the Offer Shares tendered by him/her under the Share Offer, will be despatched to such Shareholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) Business Days (as defined in the Takeovers Code) after the date on which the duly completed and valid acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid.

Settlement of the consideration to which any Accepting Shareholder is entitled under the Share Offer will be paid by the Offeror in full in accordance with the terms of the Share Offer (save with respect of the payment of seller’s ad valorem stamp duty in respect of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Accepting Shareholder will be rounded up to the nearest cent.

**7. OVERSEAS SHAREHOLDERS**

The Offeror intends to make the Share Offer available to all Independent Shareholders, including those who are not resident in Hong Kong. The making and the implementation of the Share Offer to Independent Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant overseas jurisdictions in which such Independent Shareholders are located. Such Independent Shareholders should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions, and where necessary, seek independent legal advice in respect of the Share Offer. It is the responsibility of such Independent Shareholders who have registered addresses outside Hong Kong and wish to accept the Share Offer to satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes payable by such Accepting Shareholders in such jurisdiction).

Any acceptance of the Share Offer by such overseas Independent Shareholders will be deemed to constitute a representation and warranty from such Independent Shareholders to the Offeror that the local laws and requirements have been complied with. The overseas Independent Shareholders should consult their professional advisers if in doubt.

**8. TAX IMPLICATIONS**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Haitong International Capital and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Share Offer.

**9. GENERAL**

- (a) All communications, notices, Form of Acceptance, Share certificates, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Share Offer to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, Haitong International Securities, Haitong International Capital, the Independent Financial Adviser, the Registrar, any of their respective directors, officers, advisers, associates, agents or any persons involved in the Share Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Share Offer to which it relates.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Share Offer is made will not invalidate the Share Offer in any way.
- (d) The Share Offer and all acceptances are governed by and shall be construed in accordance with the laws of Hong Kong.
- (e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, Haitong International Securities, and such person or persons as the Offeror may direct, to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as they may direct, the Shares in respect of which such person or persons has accepted the Share Offer.
- (f) Acceptance of the Share Offer will be deemed to constitute a warranty to the Offeror, Haitong International Securities and the Company by the Accepting Shareholder(s) that (i) the Shares held by the Independent Shareholders are sold to the Offeror free from all Encumbrances and together with all rights attaching thereto as at the Closing Date or subsequently becoming attached to them, on or after the Closing Date; and (ii) the Independent Shareholder(s) have not taken or omitted to take any action which will or may result in the Offeror, its beneficial owner and parties acting in concert with any of them, the Company, Haitong International Securities or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Share Offer or the acceptance thereof, and am/are permitted under all applicable laws and regulations to receive and accept the Share Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws and regulations. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, the above representations and warranties.
- (g) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Share Offer.
- (h) References to the Share Offer in this Composite Document and in the Form of Acceptance include any extension or revision thereof.
- (i) In making their decision, Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with

the Form of Acceptance, shall not be construed as legal or business advice on the part of the Offeror, its beneficial owners, the Company, Haitong International Securities, Haitong International Capital, the Independent Financial Adviser. The Independent Shareholders should consult their own professional advisers for professional advice.

- (j) Unless otherwise expressly stated in this Composite Document and/or the Form of Acceptance, no one other than the Offeror and the relevant Accepting Shareholder may enforce any terms of the contract that will arise on delivery of the relevant Form of Acceptance, duly completed and executed, under the Contracts (Rights of Third Parties) Ordinance, Cap. 623 of the Laws of Hong Kong.
- (k) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.



## 1. FINANCIAL SUMMARY OF THE GROUP

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, as extracted from the Company's annual report for the two years ended 31 December 2014 and 31 December 2015 and the interim report for the six months ended 30 June 2016 respectively.

	For the year ended 31 December			For the six months ended
	2013	2014	2015	30 June
	(audited)	(audited)	(audited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	554,589	334,819	355,952	207,605
Profit/(loss) before income tax	26,985	(16,803)	(4,378)	5,088
Income tax expense	(2,172)	(1,036)	(989)	(952)
<b>Profit/(loss) and total comprehensive income/ (loss) for the year</b>	<b>24,813</b>	<b>(17,839)</b>	<b>(5,367)</b>	<b>4,136</b>
<b>Profit/(loss) and total comprehensive income/ (loss) attributable to:</b>				
Owners of the Company	24,813	(17,839)	(5,367)	4,136
Non-controlling interests	—	—	—	—
Basic and diluted earnings/ (loss) per share	HK6.89 <u>cents</u>	HK(4.28) <u>cents</u>	HK(1.12) <u>cents</u>	HK0.86 <u>cents</u>

*Note:* The Company has not distributed any dividend since the listing of the Shares on the Main Board of the Stock Exchange on 11 July 2014.



1. FINANCIAL SUMMARY OF THE GROUP *(continued)*

	As at 31 December			As at
	2013	2014	2015	30 June
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
<b>Non-current assets</b>	<b>6,968</b>	<b>6,038</b>	<b>11,807</b>	<b>11,054</b>
Current assets	161,404	187,073	172,709	172,440
Current liabilities	63,200	50,429	47,335	42,335
<b>Net current assets</b>	<b>98,204</b>	<b>136,644</b>	<b>125,374</b>	<b>130,105</b>
<b>Non-current liabilities</b>	<b>430</b>	<b>581</b>	<b>752</b>	<b>709</b>
<b>Net assets</b>	<b>104,742</b>	<b>142,101</b>	<b>136,429</b>	<b>140,450</b>
<b>Equity attributable to owners of the Company</b>				
Issued capital	—	4,800	4,800	4,800
Reserves	<u>104,742</u>	<u>137,301</u>	<u>131,629</u>	<u>135,650</u>
<b>Total equity</b>	<b><u>104,742</u></b>	<b><u>142,101</u></b>	<b><u>136,429</u></b>	<b><u>140,450</u></b>

The auditors of the Company, Ernst & Young, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the respective financial statements of the Group for the three years ended 31 December 2013, 2014 and 2015, and the Company had no items which are exceptional or extraordinary because of size, nature or incidence for the same financial years.

## 2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2015 which are contained in the Company's annual report published on 28 April 2016.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2015*

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2015*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	24	4,800	4,800
Reserves	25	<u>131,629</u>	<u>137,301</u>
Total equity		<u>136,429</u>	<u>142,101</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the Company								
	Notes	Issued capital HK\$ '000	Share premium HK\$ '000	Capital reserve HK\$ '000 Note 25(c)	Exchange fluctuation reserve HK\$ '000	Legal reserve HK\$ '000 Note 25(a)	Merger reserve HK\$ '000 Note 25(b)	Retained profits HK\$ '000	Total equity HK\$ '000
At 1 January 2014		—	—	7,512	(65)	49	8,417	88,829	104,742
Loss for the year		—	—	—	—	—	—	(17,839)	(17,839)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		—	—	—	42	—	—	—	42
Total comprehensive income/(loss) for the year		—	—	—	42	—	—	(17,839)	(17,797)
Capital contribution from the Controlling Shareholders		—	—	2,559	—	—	—	—	2,559
Interim dividends to the then shareholders	11	—	—	—	—	—	—	(1,076)	(1,076)
Capitalisation issue of Shares upon the Listing	24(c)	3,600	(3,600)	—	—	—	—	—	—
Issue of Shares upon the Listing	24(d)	1,200	61,200	—	—	—	—	—	62,400
Share issue expenses		—	(8,727)	—	—	—	—	—	(8,727)
At 31 December 2014		<u>4,800</u>	<u>48,873*</u>	<u>10,071*</u>	<u>(23)*</u>	<u>49*</u>	<u>8,417*</u>	<u>69,914*</u>	<u>142,101</u>
	Attributable to owners of the Company								
Notes	Issued capital HK\$ '000	Share premium HK\$ '000	Capital reserve HK\$ '000 Note 25(c)	Exchange fluctuation reserve HK\$ '000	Legal reserve HK\$ '000 Note 25(a)	Merger reserve HK\$ '000 Note 25(b)	Retained profits HK\$ '000	Total equity HK\$ '000	
At 1 January 2015	4,800	48,873	10,071	(23)	49	8,417	69,914	142,101	
Loss for the year	—	—	—	—	—	—	(5,367)	(5,367)	
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	—	—	—	(305)	—	—	—	(305)	
Total comprehensive loss for the year	—	—	—	(305)	—	—	(5,367)	(5,672)	
At 31 December 2015	<u>4,800</u>	<u>48,873*</u>	<u>10,071*</u>	<u>(328)*</u>	<u>49*</u>	<u>8,417*</u>	<u>64,547*</u>	<u>136,429</u>	

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

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

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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



CONSOLIDATED STATEMENT OF CASH FLOWS (*continued*)

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	18	62,263	37,864
Non-pledged time deposits	18	<u>19,426</u>	<u>26,296</u>
Cash and cash equivalents as stated in the consolidated statement of financial position		81,689	64,160
Less: Non-pledged time deposits with original maturity of more than three months when acquired	18	<u>(1,193)</u>	<u>(18,796)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u><u>80,496</u></u>	<u><u>45,364</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

**Information about subsidiaries**

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

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

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

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

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

## 2.1 REORGANISATION AND BASIS OF PRESENTATION

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

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

## 2.2 BASIS OF PREPARATION

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

### **Basis of consolidation**

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

### 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2016
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>3</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
- <sup>4</sup> Originally effective for annual periods beginning on or after 1 January 2016. This effective date has been deferred/removed and the adoption of the amendments continues to be permitted.

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

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

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

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

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### Impairment of non-financial assets

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

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

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

### **Related parties**

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

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

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

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

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

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

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

**Leases**

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

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

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

**Investments and other financial assets***Initial recognition and measurement*

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

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

*Subsequent measurement*

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

## Financial assets at fair value through profit or loss

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

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

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

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

*Loans and receivables*

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



**Derecognition of financial assets**

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

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

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

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

**Impairment of financial assets**

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

*Financial assets carried at amortised cost*

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

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

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

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

### **Financial liabilities**

#### *Initial recognition and measurement*

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

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

#### *Subsequent measurement*

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

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

#### *Financial guarantee contracts*

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

### **Derecognition of financial liabilities**

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

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

**Offsetting of financial instruments**

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

**Inventories**

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

**Cash and cash equivalents**

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

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

**Provisions**

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

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

**Income tax**

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

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

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

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

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

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

### **Revenue recognition**

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rework and compensation income, and other compensation income, when the right to receive payment has been established; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Employee benefits***Pension schemes*

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

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

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

**Foreign currencies**

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### **Judgements**

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

##### *Income taxes*

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

##### *Determination of functional currency*

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

#### **Estimation uncertainty**

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

##### *Impairment of non-financial assets*

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

use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

*Write-down of inventories to net realisable value*

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

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

*Impairment of loans and receivables*

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

*Deferred tax assets*

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

#### **4. OPERATING SEGMENT INFORMATION**

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

**Geographical information**

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	3,541	3,512
Mainland China	790	303
Other countries	<u>7,476</u>	<u>2,223</u>
	<u><u>11,807</u></u>	<u><u>6,038</u></u>

**Information about major customers**

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

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

\* Less than 10% of revenue

**5. REVENUE, OTHER INCOME AND GAIN**

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

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

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



## 6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank loans	235	92
Interest on a finance lease	<u>18</u>	<u>—</u>
	<u><u>253</u></u>	<u><u>92</u></u>

## 7. LOSS BEFORE TAX

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

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

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

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

**8. DIRECTORS' REMUNERATION**

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	<u>600</u>	<u>300</u>
Other emoluments:		
Salaries and allowances	6,009	3,568
Pension scheme contributions	<u>72</u>	<u>67</u>
	<u>6,081</u>	<u>3,635</u>
	<u><u>6,681</u></u>	<u><u>3,935</u></u>

**(a) Independent non-executive directors**

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

	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Chung Kwok Pan	200	100
Mr. Lai Kin Keung	200	100
Mr. Ng Ming Yuen, John	<u>200</u>	<u>100</u>
	<u><u>600</u></u>	<u><u>300</u></u>

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

**(b) Executive directors**

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

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

**9. FIVE HIGHEST PAID EMPLOYEES**

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

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

**10. INCOME TAX**

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

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

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

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

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

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

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

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

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

## 11. DIVIDENDS

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

## 12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

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

## 13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

## 14. INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Finished goods	<u>161</u>	<u>2,179</u>

## 15. TRADE AND BILLS RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	31,031	38,273
Bills receivables	2,028	2,503
Impairment	<u>(762)</u>	<u>(228)</u>
	<u>32,297</u>	<u>40,548</u>

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

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

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	228	—
Impairment loss recognised ( <i>note 7</i> )	<u>534</u>	<u>228</u>
At 31 December	<u>762</u>	<u>228</u>

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

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

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

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

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

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

#### 16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

#### 17. FINANCIAL INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

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

#### 18. CASH AND CASH EQUIVALENTS

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

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

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



**19. TRADE AND BILLS PAYABLES**

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

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Within 1 month	22,784	25,681
1 to 2 months	5,634	3,587
2 to 3 months	2,572	661
Over 3 months	<u>540</u>	<u>1,068</u>
	<u><u>31,530</u></u>	<u><u>30,997</u></u>

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

**20. OTHER PAYABLES AND ACCRUALS**

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

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

**21. INTEREST-BEARING BANK AND OTHER BORROWINGS**

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

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

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

- (i) a property of the Group situated in Hong Kong, which had a carrying value at the end of the reporting period of HK\$1,847,000 (2014: HK\$1,913,000);
- (ii) corporate guarantees given by certain subsidiaries of the Group;
- (iii) corporate guarantees given by the Company; and
- (iv) promissory notes given by a subsidiary of the Group of HK\$130,000,000 (2014: HK\$130,000,000).

## 22. FINANCE LEASE PAYABLE

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

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

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

**23. DEFERRED TAX LIABILITIES**

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

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

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

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

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

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

**24. SHARE CAPITAL**

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Authorised:		
1,000,000,000 (2014: 1,000,000,000) shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
480,000,000 (2014: 480,000,000) shares of HK\$0.01 each	<u><u>4,800</u></u>	<u><u>4,800</u></u>

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

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

*Notes:*

- (a) Pursuant to a written resolution of the shareholders of the Company passed on 20 June 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by creation of 962,000,000 additional ordinary shares of HK\$0.01 each, ranking *pari passu* in all respects with the existing shares of the Company.
- (b) On 11 June 2014, 50 and 49 Shares of HK\$0.01 each were allotted and issued for considerations of HK\$0.50 and HK\$0.49, respectively, to Happy Zone Limited (which is solely and beneficially owned by Mr. Liu Ying Yin, James) and Mr. Cheng Lap Yin, the shareholders of the Company, respectively.
- (c) Pursuant to a written resolution of the shareholders of the Company passed on 20 June 2014, a total of 359,999,900 Shares of HK\$0.01 each were allotted and issued at par value to the Controlling Shareholders by way of capitalisation of HK\$3,600,000 from the Company's share premium account on 11 July 2014. The respective Shares allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.
- (d) In connection with the Company's initial public offering, 120,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.52 per Share for a total cash consideration, before expenses, of HK\$62,400,000. Dealings in the Shares of the Company on the Stock Exchange commenced on 11 July 2014.

**25. RESERVES**

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

**(a) Legal reserve**

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

**(b) Merger reserve**

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

**(c) Capital reserve**

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

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

**26. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS****Major non-cash transaction**

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

**27. CONTINGENT LIABILITIES**

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

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

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

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

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

## 28. PLEDGE OF ASSETS

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

## 29. OPERATING LEASE COMMITMENTS

### As lessee

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	1,961	1,274
In the second to fifth years, inclusive	<u>4,428</u>	<u>1,792</u>
	<u>6,389</u>	<u>3,066</u>

## 30. RELATED PARTY TRANSACTIONS

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

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

### Notes:

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

- (ii) Service income was charged to Herotime Clothing (Shenzhen) Co., Ltd, which was controlled by Mr. Liu Ying Yin, James, and Mr Cheng Lap Yin, for the provision of accounting, administrative and IT supporting services and was charged at a monthly fee of HK\$9,000 from 17 June 2014 to 31 October 2014.
- (iii) Dividends were declared and paid to the then shareholders of a subsidiary during the year ended 31 December 2014. Further details of the dividends are set out in note 11 to the financial statements.
- (iv) Rental expense was paid to Liu & Cheng (Cambodia) Limited, which is controlled by Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin, for a lease of office located in Cambodia and was charged at a monthly rental of US\$2,500 (approximately HK\$19,000) (2014: US\$2,500 (approximately HK\$19,000)).

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

**(b) Commitment with related parties**

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

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

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

**(d) Compensation of key management personnel of the Group**

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

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

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

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

**Financial assets**

31 December 2015

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

31 December 2014

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

**Financial liabilities**

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



## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial asset</b>				
Financial investment at fair value through profit or loss	—	18,797	—	18,797

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

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

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

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

**Fair value hierarchy**

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

*Asset measured at fair value:*

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

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

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

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

**Interest rate risk**

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

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

**Foreign currency risk**

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

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

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

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

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

**Credit risk**

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

	<b>2015</b>	<b>2014</b>
	%	%
Largest customers	27.4	26.1
Five largest customers	<u>80.9</u>	<u>94.1</u>

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

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

**Liquidity risk**

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

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

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

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

*Note:*

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

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

	2015 HK\$'000	2014 HK\$'000
Within one year	<u>391</u>	<u>1,320</u>

### Capital management

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

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

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

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

**34. EVENT AFTER THE REPORTING PERIOD**

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

**35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

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

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

*Note:*

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

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

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

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

### 3. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016

Set out below are the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016 which are published in the Company's interim report published on 30 September 2016.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Revenue</b>	5	207,605	235,682
Cost of sales		<u>(176,837)</u>	<u>(197,140)</u>
Gross profit		30,768	38,542
Other income and gains, net	5	537	401
Selling and distribution expenses		(409)	(614)
Administrative expenses		(25,778)	(31,204)
Fair value gain/(loss) on financial investments at fair value through profit or loss		91	(59)
Other expenses, net		(95)	(2,221)
Finance costs	6	<u>(26)</u>	<u>(232)</u>
<b>Profit before tax</b>	7	5,088	4,613
Income tax expense	8	<u>(952)</u>	<u>(1,020)</u>
<b>Profit for the period and attributable to owners of the Company</b>		<u><u>4,136</u></u>	<u><u>3,593</u></u>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	9	<u><u>HK0.86 cents</u></u>	<u><u>HK0.75 cents</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2016*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<u>4,136</u>	<u>3,593</u>
<b>Other comprehensive income/(loss)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserve:		
— Translation of foreign operations	<u>(115)</u>	<u>6</u>
Other comprehensive income/(loss) for the period	<u>(115)</u>	<u>6</u>
Total comprehensive income for the period and attributable to owners of the Company	<u>4,021</u>	<u>3,599</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	<b>30 June 2016</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2015</b> <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	5,157	5,948
Other receivable		<u>5,897</u>	<u>5,859</u>
Total non-current assets		<u>11,054</u>	<u>11,807</u>
<b>Current assets</b>			
Inventories		—	161
Trade and bills receivables	11	55,494	32,297
Prepayments, deposits and other receivables		38,267	58,389
Financial investment at fair value through profit or loss		2,989	—
Cash and cash equivalents		75,517	81,689
Tax recoverable		<u>173</u>	<u>173</u>
Total current assets		<u>172,440</u>	<u>172,709</u>
<b>Current liabilities</b>			
Trade and bills payables	12	28,935	31,530
Other payables and accruals		5,356	8,032
Interest-bearing bank and other borrowings		74	462
Due to a related company		32	325
Tax payable		<u>7,938</u>	<u>6,986</u>
Total current liabilities		<u>42,335</u>	<u>47,335</u>
<b>Net current assets</b>		<u>130,105</u>	<u>125,374</u>
<b>Total assets less current liabilities</b>		<u>141,159</u>	<u>137,181</u>
<b>Non-current liabilities</b>			
Other payables and accruals		455	455
Interest-bearing other borrowing		201	244
Deferred tax liabilities		<u>53</u>	<u>53</u>
Total non-current liabilities		<u>709</u>	<u>752</u>
<b>Net assets</b>		<u>140,450</u>	<u>136,429</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	13	4,800	4,800
Reserves		<u>135,650</u>	<u>131,629</u>
Total equity		<u>140,450</u>	<u>136,429</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company							Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Legal reserve HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2015	4,800	48,873	10,071	(23)	49	8,417	69,914	142,101
Profit for the period	—	—	—	—	—	—	3,593	3,593
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	6	—	—	—	6
Total comprehensive income for the period	—	—	—	6	—	—	3,593	3,599
At 30 June 2015 (unaudited)	<u>4,800</u>	<u>48,873*</u>	<u>10,071*</u>	<u>(17)*</u>	<u>49*</u>	<u>8,417*</u>	<u>73,507*</u>	<u>145,700</u>
At 1 January 2016	4,800	48,873	10,071	(328)	49	8,417	64,547	136,429
Profit for the period	—	—	—	—	—	—	4,136	4,136
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	—	—	—	(115)	—	—	—	(115)
Total comprehensive income for the period	—	—	—	(115)	—	—	4,136	4,021
At 30 June 2016 (unaudited)	<u>4,800</u>	<u>48,873*</u>	<u>10,071*</u>	<u>(443)*</u>	<u>49*</u>	<u>8,417*</u>	<u>68,683*</u>	<u>140,450</u>

\* These reserve accounts comprise the reserves of HK\$135,650,000 (30 June 2015: HK\$140,900,000) in the condensed consolidated statement of financial position as at 30 June 2016.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<u>(2,648)</u>	<u>21,303</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(65)	(200)
Advance of loan to a third-party manufacturer	—	(3,100)
Purchases of financial investments at fair value through profit or loss	(2,898)	—
Proceeds from disposal of financial investments at fair value through profit or loss	—	18,738
Decrease/(Increase) in time deposits	<u>1,188</u>	<u>(10,670)</u>
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<u>(1,775)</u>	<u>4,768</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New trust receipt loans	65,298	72,258
Repayment of trust receipt loans	(65,686)	(73,574)
Capital element of finance lease rental payments	(44)	—
Interest paid	<u>(19)</u>	<u>(232)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<u>(451)</u>	<u>(1,548)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,874)	24,523
Cash and cash equivalents at the beginning of the period	80,496	45,364
Effect of foreign exchange rate changes, net	<u>(105)</u>	<u>4</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u><u>75,517</u></u>	<u><u>69,891</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	54,147	67,533
Non-pledged time deposits	<u>21,370</u>	<u>31,824</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	75,517	99,357
Less: Non-pledged time deposits with original maturity of more than three months when acquired	<u>—</u>	<u>(29,466)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u><u>75,517</u></u>	<u><u>69,891</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is located at Flat A & B, 9/F., Tontex Industrial Building, 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company and its subsidiaries are primarily engaged in the trading of apparel products and provision of apparel supply chain management services during the six months ended 30 June 2016. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

### 2. BASIS OF PRESENTATION AND PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA for the first time for the current period's unaudited condensed consolidated interim financial statements of the Group.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of HKFRSs</i>

The adoption of these revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial statements.

#### 4. OPERATING SEGMENT INFORMATION

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

##### Geographical information

During the period, approximately 98.60% (six months ended 30 June 2015: 91.6%) of the Group's revenue from external customers, based on the locations of the products shipped to, were attributed to the United States of America. At the end of the reporting period, the non-current assets of the Group were located in:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Hong Kong	3,202	3,541
Mainland China	676	790
Other countries	<u>7,176</u>	<u>7,476</u>
	<u>11,054</u>	<u>11,807</u>

##### Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2016 and 2015 is set out below:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	N/A*	60,436
Customer B	39,664	35,241
Customer C	59,404	40,124
Customer D	<u>52,947</u>	<u>23,904</u>

\* *Less than 10% of revenue*

**5. REVENUE, OTHER INCOME AND GAINS, NET**

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

An analysis of the Group's other income and gains, net is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Other income</b>		
Bank interest income	53	146
Sale of scrap materials	91	125
Rework and compensation income	44	15
Sundry income	349	75
	<u>537</u>	<u>361</u>
<b>Gains, net</b>		
Foreign exchange differences, net	—	40
	<u>537</u>	<u>401</u>

**6. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans	19	232
Interest on a finance lease	7	—
	<u>26</u>	<u>232</u>

**7. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	176,837	197,140
Depreciation	839	692
Minimum lease payments under operating leases	1,363	1,268
Foreign exchange differences, net	136	(40)
Impairment/(reversal of impairment) of trade receivables	(381)	534
Impairment of other receivable	—	939
Reversal of provision for slow-moving inventories	(136)	—
Loss on a non-interest-bearing financial arrangement	—	243
	<u>176,837</u>	<u>197,140</u>

**8. INCOME TAX**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current:		
— Hong Kong	641	470
— Elsewhere	311	391
Deferred	<u>—</u>	<u>159</u>
Total tax charge for the period	<u>952</u>	<u>1,020</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2016 and 2015. The subsidiary of the Company established in Mainland China is subject to corporate income tax at a standard rate of 25% for the six months ended 30 June 2016 and 2015. No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from complementary tax pursuant to Macao's relevant tax legislations. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

**9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to owners of the Company of HK\$4,136,000 (six months ended 30 June 2015: HK\$3,593,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 30 June 2015: 480,000,000) in issue during the period.

Diluted earnings per share equals to basic earnings per share as there was no dilutive potential share outstanding for the six months ended 30 June 2016 and 2015.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment at costs of HK\$65,000 (six months ended 30 June 2015: HK\$200,000).

As at 30 June 2016, the Group's property with a net carrying amount of HK\$1,814,000 (31 December 2015: HK\$1,847,000) was pledged to secure general banking facilities granted to the Group.

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2016</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2015</b> <i>HK\$'000</i> (Audited)
Trade receivables	54,583	31,031
Bills receivables	<u>1,292</u>	<u>2,028</u>
	55,875	33,059
Impairment	<u>(381)</u>	<u>(762)</u>
	<u><u>55,494</u></u>	<u><u>32,297</u></u>

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

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

	<b>30 June 2016</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2015</b> <i>HK\$'000</i> (Audited)
Within 1 month	37,490	21,581
1 to 2 months	10,757	6,248
2 to 3 months	6,848	2,329
Over 3 months	<u>399</u>	<u>2,139</u>
	<u><u>55,494</u></u>	<u><u>32,297</u></u>

An aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>30 June 2016</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2015</b> <i>HK\$'000</i> (Audited)
Neither past due nor impaired	48,132	28,959
Less than 1 month past due	6,963	3,105
1 to 2 months past due	18	79
Over 3 months past due	<u>381</u>	<u>154</u>
	<u><u>55,494</u></u>	<u><u>32,297</u></u>

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



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

## 12. TRADE AND BILLS PAYABLES

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

	<b>30 June 2016</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2015</b> <i>HK\$'000</i> (Audited)
Within 1 month	23,862	22,784
1 to 2 months	3,921	5,634
2 to 3 months	765	2,572
Over 3 months	<u>387</u>	<u>540</u>
	<u>28,935</u>	<u>31,530</u>

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

## 13. SHARE CAPITAL

	<b>30 June 2016</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2015</b> <i>HK\$'000</i> (Audited)
Authorised:		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
480,000,000 ordinary shares of HK\$0.01 each	<u>4,800</u>	<u>4,800</u>

## 14. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases certain of its office premises and staff quarters under operating lease arrangements. The leases are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	1,888	1,961
In the second to fifth years, inclusive	<u>3,602</u>	<u>4,428</u>
	<u>5,490</u>	<u>6,389</u>

## 15. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into transactions with related parties as follows:

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Rental expenses paid to Action Win Industries Limited ("Action Win")	(i)	426	162
Rental expense paid to Liu and Cheng (Cambodia) Limited	(ii)	116	116

*Notes:*

- (i) The rental expenses were paid to Action Win Industries Limited, which is controlled by Mr. Liu Ying Yin, James, for a lease of an office premises and a warehouse located in Hong Kong and were charged at monthly rentals of HK\$36,000 (2015: HK\$27,000) and HK\$35,000 (2015: Nil), respectively.
- (ii) The rental expense was paid to Liu and Cheng (Cambodia) Limited, which is controlled by Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin, for a lease of an office located in Cambodia and was charged at a monthly rental of US\$2,500 (approximately HK\$19,000) (2015: US\$2,500 (approximately HK\$19,000)).

### (b) Commitment with related parties

The Group entered into operating lease arrangements as a lessee with companies controlled by Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin, for lease terms ranging from three to five years. The total amounts of rental expenses for the six months ended 30 June 2016 and 2015 are disclosed in note 15(a)(i) and (ii) to the financial statements.

The total amount of future lease payments of these operating lease arrangements till the end of the lease term is HK\$4,093,000 (31 December 2015: HK\$4,753,000).

## (c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Short term employee benefits	2,845	1,698
Post-employment benefits	<u>36</u>	<u>36</u>
Total compensation paid to key management personnel	<u>2,881</u>	<u>1,734</u>

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value	
	30 June	31 December	30 June	31 December
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>Financial asset</b>				
Financial investment at fair value through profit or loss	<u>2,989</u>	<u>—</u>	<u>2,989</u>	<u>—</u>

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

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

The fair values of the non-current portions of other receivable and interest-bearing other borrowing have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the interest-bearing other borrowing as at the end of the reporting period was assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

The fair value of a listed financial investment is based on quoted market price.

**Fair value hierarchy**

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

*Asset measured at fair value:*

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Fair value measurement using quoted prices in active markets (Level 1)		
— Financial investment at fair value through profit or loss	<u>2,989</u>	<u>—</u>

The Group did not have any financial liabilities measured at fair values as at 30 June 2016 and 31 December 2015.

During the six months ended 30 June 2016 and the year ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

**17. CONTINGENT LIABILITIES**

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

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

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

In addition, pursuant to the deed of indemnity dated 20 June 2014, Mr. Liu Ying Yin, James, Happy Zone Limited and Mr. Cheng Lap Yin have agreed to indemnify the Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings against any member of the Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of the Group prior to the Listing.

**18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 31 August 2016.

#### 4. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 31 August 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the Group had borrowings amounting to approximately HK\$4,090,000.

The following table illustrates the Group's indebtedness as at the close of business on 31 August 2016:

	<i>HK\$'000</i>
Current	
Finance lease payable, unsecured	74
Trust receipt loans, secured	3,828
Non-current	
Finance lease payable, unsecured	<u>188</u>
Total borrowings	<u><u>4,090</u></u>

As at 31 August 2016, all of the Group's bank borrowings represented trust receipt loans which were denominated in United States dollar and were repayable within one year subject to a repayable on demand clause in the facility letters. These bank loans were interest-bearing and secured by corporate guarantees given by the Group's subsidiaries and the Company, promissory notes and a property located in Hong Kong.

As at 31 August 2016, the Group had total banking facilities of approximately HK\$133 million, within which an aggregate amount of approximately HK\$3.8 million was utilised and the remaining banking facilities of approximately HK\$129.2 million were not utilised.

Save as disclosed above and apart from intra-group liabilities and normal trade payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees, banking facility or other material contingent liabilities as at the close of business on 31 August 2016.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 August 2016.

## 5. MATERIAL CHANGE

The Directors confirm that, save and except as disclosed below, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

As disclosed in the interim report of the Company for the six months ended 30 June 2016 (“Interim Report 2016”), there have been certain material changes in the financial or trading position or outlook of the Group since 31 December 2015 and up to 30 June 2016 and, being, the Group recorded profit attributable to owners of the Company for the six months ended 30 June 2016 of approximately HK\$4.14 million, representing an increase of approximately 15.32% as compared to the profit attributable to owners of the Company of approximately HK\$3.59 million for the six months ended 30 June 2015, mainly as a result of (i) the decrease of administrative expenses due to decrease in staff costs and legal and professional fees; (ii) the decrease in other expenses due to the absence of faulty subcontractor payment with fake emails, and the reversal of provision for doubtful debts during the reporting period; and (iii) the decrease in finance costs due to decrease in interest on trust receipt loans as the Group retired the loans earlier.

**(A) RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Share Offer, the Offeror and the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

**(B) SHARE CAPITAL**

The authorised and issued share capital of the Company of HK\$0.01 each as at 31 December 2015 and the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>10,000,000</u>
<i>Issued</i>	
<u>480,000,000</u> Shares	<u>4,800,000</u>

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right on the holder thereof to subscribe for, convert or exchange into Shares or any agreement or arrangement to issue Shares.

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Company has not issued any Shares since 31 December 2015, the date to which the latest audited financial statements of the Company were made up.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

**(C) DISCLOSURE OF INTERESTS BY DIRECTORS OF THE COMPANY**

As at the Latest Practicable Date, none of the Directors and their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

**(D) DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name	Capacity	Number of Shares held/ interested (Note)	Approximate % of the total issued Shares
The Offeror (Note 1)	Beneficial owner	360,000,000 (Note 2)	75.00%
Mr. Lai (Note 1)	Interest of controlled corporation	360,000,000 (Note 2)	75.00%

*Notes:*

1. The Offeror is wholly owned by Mr. Lai.
2. These Shares are charged in favour of Haitong International Securities pursuant to the HTSPA Facility and in favour of Haitong International New Energy VIII Limited to secure the bonds issued by the Offeror to that company.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in



5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

#### **(E) ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS**

As at the Latest Practicable Date:

- (i) none of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (ii) none of (i) the subsidiaries of the Company; (ii) pension fund of the Company or of a subsidiary of the Company; or (iii) any advisers to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interests in the Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities, and none of them had dealt in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (iii) no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code and no such person had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (iv) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with the Company and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (v) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company or the Directors had borrowed or lent;
- (vi) no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Share Offer;
- (vii) none of the Directors has beneficial interest in any Shares nor entitle to accept or reject the Share Offer;

- (viii) there was no agreement or arrangement or understanding (including any compensation arrangement) between any Director, recent Director, Shareholder or recent Shareholder and any other person which was conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer;
- (ix) no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and
- (x) save for the entering into of the Sale and Purchase Agreement, none of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

#### **(F) DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, the Company had entered into the following service contracts and letters of appointment with the Directors:

- (a) the service agreement dated 30 September 2013 entered into between the Company and Mr. Cheng Lap Yin, pursuant to which Mr. Cheng Lap Yin was appointed as an executive Director for a period of three years commencing from 11 July 2014 and entitled to receive a salary of HK\$720,000 per annum;
- (b) the service agreement dated 30 September 2013 entered into between the Company and Mr. Y. Y. Liu, pursuant to which Mr. Y. Y. Liu was appointed as an executive Director for a period of three years commencing from 11 July 2014 and entitled to receive a salary of HK\$720,000 per annum;
- (c) the service agreement dated 30 September 2013 entered into between the Company and Mr. C. T. Liu, pursuant to which Mr. C. T. Liu was appointed as an executive Director for a period of three years commencing from 11 July 2014 and entitled to receive a salary of HK\$1,596,000 per annum;
- (d) the service agreement dated 30 September 2013 entered into between the Company and Mr. Yu Yuen Mau, Banny, pursuant to which Mr. Yu Yuen Mau, Banny was appointed as an executive Director for a period of three years commencing from 11 July 2014 and entitled to receive a salary of HK\$1,200,000 per annum;
- (e) the service agreement dated 30 September 2013 entered into between the Company and Mr. Kao Lap Shing, pursuant to which Mr. Kao Lap Shing was appointed as an executive Director for a period of three years commencing from 11 July 2014 and entitled to receive a salary of HK\$1,200,000 per annum;
- (f) the letter of appointment dated 20 June 2014 entered into between the Company and Mr. Chung Kwok Pan, pursuant to which Mr. Chung Kwok Pan was appointed as an independent non-executive Director for a period of three years commencing from 11 July 2014 and entitled to receive a director's fee of HK\$200,000 per annum;

- (g) the letter of appointment dated 20 June 2014 entered into between the Company and Mr. Lai Kin Keung, pursuant to which Mr. Lai Kin Keung was appointed as an independent non-executive Director for a period of three years commencing from 11 July 2014 and entitled to receive a director's fee of HK\$200,000 per annum; and
- (h) the letter of appointment dated 14 July 2016 entered into between the Company and Mr. Lau Chart Chou, pursuant to which Mr. Lau Chart Chou was appointed as an independent non-executive Director for a period of three years commencing from 14 July 2016 and entitled to receive a director's fee of HK\$150,000 per annum.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within six months before the date of commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **(G) EXPERT AND CONSENT**

The followings are the qualification of the expert whose letter or opinion is contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Goldin Financial	a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee

Goldin Financial has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or opinion and/or references to its name in the form and context in which they are respectively included.

#### **(H) LITIGATION**

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

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

Pursuant to a notice of appeal dated 18 August 2014, the Plaintiff lodged with the Court of Appeal of the Hong Kong Special Administrative Region its appeal against the aforesaid judgment. The Plaintiff's appeal is pending as the Plaintiff has been inactive in applying to court to fix a hearing date despite the Defendant's request to it to proceed. The directors of the Company are seeking counsel's advice as to whether action should be taken to expedite the process. The Directors, based on the advice from the Group's legal adviser, believe that the Defendant has a valid defence against the allegation and, accordingly, have not made any provision in the financial statements of the Group in respect of its liabilities, if any, arising therefrom.

The Group is in the course of demanding the Plaintiff for the legal costs incurred for the Litigation, of which the bill of costs was taxed before High Court in Chambers on 28 September 2016 and allowed as HK\$660,000.

In addition, pursuant to the deed of indemnity dated 20 June 2014, Mr. Y.Y. Liu, Happy Zone Limited and Mr. Cheng Lap Yin have agreed to indemnify the Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings against any member of the Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of the Group prior to the listing of the Shares on the Main Board of the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claims which would materially and adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any members of the Group.

#### **(I) MATERIAL CONTRACTS**

No member of the Group has entered into any contract which are or may be material (other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) within the two years immediately preceding 17 October 2016 and up to the Latest Practicable Date.

#### **(J) GENERAL**

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Flat A & B, 9/F., Tontex Industrial Building, 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

- (d) The principal share registrar and transfer office in the Cayman Islands is Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (e) The English text of this Composite Document and the Form of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

**(K) DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) at the principal office of the Company at Flat A & B, 9/F., Tontex Industrial Building, 2–4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong; (ii) on the website of the Company (<http://www.hanbo.com>); and (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)), during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2014 and 31 December 2015 and the interim report of the Company for the six months ended 30 June 2016;
- (c) the letter from the Board;
- (d) the letter from the Independent Board Committee;
- (e) the letter from the Independent Financial Adviser;
- (f) the service contracts and letters of appointment referred to in the paragraph headed “Directors’ Service Contracts” in this appendix; and
- (g) the written consent referred to under the paragraph headed “Expert and Consent” in this appendix.

## 1. RESPONSIBILITY STATEMENT

This information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group and the parties acting in concert with it), and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

## 2. DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held, owned or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/ parties acting in concert with it	Capacity	Number of Shares held/ interested	Percentage of shareholding (%)
The Offeror ( <i>Note 1</i> )	Beneficial owner	360,000,000 ( <i>Note 2</i> )	75.00%
Mr. Lai Leong ( <i>Note 1</i> )	Interest in controlled corporation	360,000,000 ( <i>Note 2</i> )	75.00%

*Notes:*

- The Offeror is wholly owned by Mr. Lai.
- These Shares are charged in favour of Haitong International Securities pursuant to the HTSPA Facility and in favour of Haitong International New Energy VIII Limited to secure the bonds issued by the Offeror to that company.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its director and the parties acting in concert with the Offeror had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

## 3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- During the Relevant Period and as at the Latest Practicable Date, save and except for the Sale Shares and the Share Charges, none of the Offeror or any party acting in concert with it or its director had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;

- (b) As at the Latest Practicable Date, there were no outstanding derivatives in respect of securities in the Company which had been entered into by the Offeror or any party acting in concert with it;
- (c) As at the Latest Practicable Date, the Offeror and/or parties acting in concert with it had not received any irrevocable commitment to accept or reject the Share Offer;
- (d) As at the Latest Practicable Date, none of the Offeror and/or parties acting in concert with it had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) As at the Latest Practicable Date, save and except for (i) the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement; (ii) the secured bond issued by the Offeror in favour of Haitong International New Energy VIII Limited, an associated corporation of Haitong International Securities, which is secured by a share charge given by the Offeror in respect of 360,000,000 Shares it holds in the Company; (iii) the Facilities; and (iv) the Share Charges, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any party acting in concert with it and any other person, or between any other associate of the Offeror and any other person;
- (f) Save for (i) the secured bond issued by the Offeror in favour of Haitong International New Energy VIII Limited, an associated corporation of Haitong International Securities, which is secured by a share charge given by the Offeror in respect of 360,000,000 Shares it holds in the Company; (ii) the Facilities; and (iii) the Share Charges, as at the Latest Practicable Date, there was no agreement (whether by way of options, indemnity or otherwise) in relation to the shares of the Offeror and parties acting in concert with it or the Company which might be material to the Share Offer; and
- (g) Save for the share charge given by the Offeror in favour of Haitong International Securities in respect of the Offer Share(s) the Offeror will acquire through the Share Offer pursuant to the HTGO Facility, as at the Latest Practicable Date, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Share Offer would be transferred, charged or pledged to any other persons. As at the Latest Practicable Date, Haitong International Securities held no securities in the Company.



**4. GENERAL**

- (a) As at the Latest Practicable Date, there was no arrangement whereby benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Share Offer;
- (b) As at the Latest Practicable Date, there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Share Offer; and
- (c) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror and parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Share Offer.

**5. MARKET PRICES**

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; and (ii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share HK\$</b>
29 April 2016	0.86
31 May 2016	0.81
30 June 2016	0.84
29 July 2016	0.88
31 August 2016	1.18
30 September 2016	1.34
31 October 2016	1.49
4 November 2016 (the Latest Practicable Date)	1.53



## 6. EXPERTS AND CONSENTS

The followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Haitong International Securities	a corporation licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO
Haitong International Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

The above experts have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion herein of their advice, letter and/or references to their names in the form and context in which it appears.

## 7. MISCELLANEOUS

As at the Latest Practicable Date:

- (a) the principal members of the Offeror's concert parties are the Offeror and Mr. Lai;
- (b) the Offeror is wholly-owned by Mr. Lai and Mr. Lai is the sole director of the Offeror;
- (c) the registered office and correspondence address of the Offeror is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and Suite 904-5, 9/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong respectively;
- (d) the principal business address of each of Haitong International Capital and Haitong International Securities is 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong; and
- (e) the correspondence address of the sole director of the Offeror, Mr. Lai, is Suite 904-5, 9/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) on the website of the SFC at <http://www.sfc.com.hk>; and (ii) on the website of the Company at <http://www.hanbo.com> from the date of this Composite Document up to the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) this Composite Document;
- (c) the letter from Haitong International Securities, the text of which is set out on page 6 to 14 of this Composite Document;
- (d) the letters of consent referred to under paragraph 6 headed “Experts and consents” in this Appendix IV.