

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



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2015	2014	
	HK\$'000	HK\$'000	
Revenue	355,952	334,819	6.3%
Gross profit	59,449	54,408	9.3%
Loss for the year and attributable to owners of the Company	(5,367)	(17,839)	-69.9%
Basic loss per share	HK(1.12) cents	HK(4.28) cents	

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Hanbo Enterprises Holdings Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014. These results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
REVENUE	7	355,952	334,819
Cost of sales		(296,503)	(280,411)
Gross profit		59,449	54,408
Other income and gain	7	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	8	(253)	(92)
LOSS BEFORE TAX	9	(4,378)	(16,803)
Income tax expense	10	(989)	(1,036)
LOSS FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(5,367)</u>	<u>(17,839)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	11	<u>HK(1.12) cents</u>	<u>HK(4.28) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

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

NOTES

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 trading of apparel products and provision of apparel supply chain management services during the year. The shares of the Company (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").

2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a reorganisation of the Company in connection with the Listing (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 17 June 2014. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 30 June 2014 (the "Prospectus").

The consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year ended 31 December 2014 have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2014, or since the respective dates of establishment of the respective companies now comprising the Group, where this is a shorter period.

3. BASIS OF PREPARATION

The financial statements are 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 disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for financial investment at fair value through profit or loss, which has been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

4. 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 HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

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

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 Group's financial statements.

5. 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> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

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

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

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

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.

6. 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, was 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	7,476	2,223
	<u>11,807</u>	<u>6,038</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	61,427	49,217

* *Less than 10% of revenue*

7. 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>
Other income		
Bank interest income	487	171
Sale of scrap materials	188	467
Rework and compensation income	272	1,278
Imputed interest income on non-interest-bearing financial arrangement	51	—
Write-back of impairment of trade receivables	1,415	—
Compensation income from an insurance company	2,712	—
Sundry income	1,202	182
	<u>6,327</u>	<u>2,098</u>
Gain		
Gain on disposal of an item of property, plant and equipment	—	1
	<u>6,327</u>	<u>2,099</u>

8. FINANCE COSTS

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

9. LOSS BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of inventories sold	296,503	280,411
Depreciation	1,562	1,439
Minimum lease payments under operating leases in respect of land and buildings	2,696	2,299
Foreign exchange differences, net	665	230
Impairment of trade receivables*	534	228
Impairment of other receivable*	939	—
Provision for slow-moving inventories*	2,358	—
Gain on disposal of an item of property, plant and equipment	—	(1)
	<u> </u>	<u> </u>

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

10. INCOME TAX

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current:		
— Hong Kong	82	143
— Elsewhere	898	883
Deferred	9	10
	<u> </u>	<u> </u>
Total tax charge for the year	<u>989</u>	<u>1,036</u>

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 for the year. The subsidiary of the Company established in Mainland China is subject to the corporate income tax at a standard rate of 25% (2014: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

The calculation of basic loss per share for the year is based on the loss attributable to owners 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 and issuable 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 for the years ended 31 December 2015 and 2014.

12. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired items of property, plant and equipment at costs of HK\$1,502,000 (2014: HK\$1,292,000).

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.

13. TRADE AND BILLS RECEIVABLES

Group

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	31,031	38,273
Bills receivables	2,028	2,503
	<u>33,059</u>	<u>40,776</u>
Impairment	(762)	(228)
	<u><u>32,297</u></u>	<u><u>40,548</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 designated personnel to oversee credit control 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 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	2,139	110
	<u>32,297</u>	<u>40,548</u>

14. 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.

15. TRADE AND BILLS PAYABLES

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

	2015 <i>HK\$'000</i>	2014 <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	540	1,068
	<u>31,530</u>	<u>30,997</u>

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

16. SHARE CAPITAL

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Authorised:		
1,000,000,000 (2014: 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 (2014: 480,000,000) ordinary shares of HK\$0.01 each	<u>4,800</u>	<u>4,800</u>

17. CONTINGENT LIABILITIES

As disclosed in the Prospectus, a wholly-owned subsidiary of the Company, Hanbo Enterprises Limited (the “Defendant”), was a 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 27 April 2012 to the date of payment. The Court also made on order *nisi* that the Defendant should have the costs of the Litigation.

Pursuant to a notice of appeal dated 18 August 2014, the Plaintiff lodged with the Court of Appeal of the Hong Kong Special Administrative Region its appeal against the aforesaid judgment. The Directors, 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, Happy Zone Limited (solely and beneficially owned by Mr. Liu Ying Yin, James) and Mr. Cheng Lap Yan, the shareholders of the Company, and Mr. Liu Ying Yin, James 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

Financial Review

Revenue

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

Cost of Sales

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

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

Gross Profit and Margin

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

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

Other Income and Gain

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Expenses, net

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

Finance Costs

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

LIQUIDITY AND FINANCIAL RESOURCES

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

GEARING RATIO

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

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL EXPENDITURES

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

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

SIGNIFICANT INVESTMENT HELD

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

RISK MANAGEMENT

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

Interest rate risk

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

Foreign currency risk

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

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

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

Credit risk

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

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

Liquidity risk

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

Contingent Liabilities

As disclosed in note 17 in this announcement, the Board considers that the results of the Litigation will have no material adverse impact on the business, operations and financials of the Group.

Charge on the Group's Assets

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

FUTURE PROSPECTS

Despite the recovery of sales, the management of the Group expects the business environment for the apparel supply chain management services business in 2016 remains challenging. In order to maintain its competitiveness, the Group has restructured its cross-functional operation by focusing resources on core customers. To achieve better efficiency and productivity, the Group has streamlined its operation, consolidate production bases, cut headcount and office in March and April 2016, resulting in layoff compensation of approximately HK\$2.2 million. It is estimated that the restructuring move will help reduce the Group's monthly operating overheads by approximately HK\$1 million. The Group will continue to devote resources to fabric development, product design and development, production efficiency and information technology to maintain its competitiveness.

CORPORATE GOVERNANCE

Save as disclosed below, the Directors believe that the Company complied with the code provisions (the “Code Provisions”) as set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2015.

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

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions. All Directors confirmed that, after specific enquiries were made by the Company, they have complied with the required standard of dealings as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 20 June 2014 with written terms of reference which deal clearly with its authority and duties. Amongst the committee’s principal duties is to review and supervise the Company’s financial reporting process and internal controls. The Audit Committee has reviewed, with the management and the external auditors of the Company, Messrs. Ernst & Young, the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the annual results announcement of the Company for the year ended 31 December 2015.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. NG Ming Yuen, John, Mr. CHUNG Kwok Pan and Mr. LAI Kin Keung. Mr. NG Ming Yuen, John is the chairman of the Audit Committee.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

DIVIDEND

The Board does not recommend the distribution of any dividends for the year ended 31 December 2015.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement for the year ended 31 December 2015 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hanbo.com). The annual report of the Company for the year ended 31 December 2015 will be despatched to shareholders of the Company and published on the above websites in due course.

By Order of the Board
Hanbo Enterprises Holdings Limited
Cheng Lap Yin
Chairman

Hong Kong, 29 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. CHENG Lap Yin, Mr. LIU Chung Tong, Mr. LIU Ying Yin, James, Mr. KAO Lap Shing and Mr. YU Yuen Mau, Banny, and the independent non-executive directors of the Company are Mr. CHUNG Kwok Pan, Mr. LAI Kin Keung and Mr. NG Ming Yuen, John.