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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 2014

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2014	2013	
	HK\$'000	HK\$'000	
Revenue	334,819	554,589	-39.6%
Gross profit	54,408	84,608	-35.7%
Profit/(loss) for the year and attributable to owners of the Company	(17,839)	24,813	-171.9%
Basic earnings/(loss) per share	HK(4.28) cents	HK6.89 cents	

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Hanbo Enterprises Holdings Limited (the “Company”) hereby announces the consolidated/combined results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013. These results have been reviewed by the audit committee of the Company.

CONSOLIDATED/COMBINED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
REVENUE	7	334,819	554,589
Cost of sales		<u>(280,411)</u>	<u>(469,981)</u>
Gross profit		54,408	84,608
Other income and gains, net	7	2,099	3,873
Selling and distribution expenses		(2,163)	(1,845)
Administrative expenses		(57,742)	(49,462)
Fair value gains/(loss) on financial investments at fair value through profit or loss, net		(238)	769
Other expenses, net		(13,075)	(10,693)
Finance cost	8	<u>(92)</u>	<u>(265)</u>
PROFIT/(LOSS) BEFORE TAX	9	(16,803)	26,985
Income tax expense	10	<u>(1,036)</u>	<u>(2,172)</u>
PROFIT/(LOSS) FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(17,839)</u>	<u>24,813</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	11	<u>HK(4.28) cents</u>	<u>HK6.89 cents</u>

CONSOLIDATED/COMBINED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2014*

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>(17,839)</u>	<u>24,813</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>42</u>	<u>(82)</u>
Total comprehensive income/(loss) for the year and attributable to owners of the Company	<u>(17,797)</u>	<u>24,731</u>

CONSOLIDATED/COMBINED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	12	6,038	6,193
Other receivables		—	775
Total non-current assets		<u>6,038</u>	<u>6,968</u>
CURRENT ASSETS			
Inventories		2,179	227
Trade and bills receivables	13	40,548	66,788
Prepayments, deposits and other receivables		60,347	52,005
Financial investment at fair value through profit or loss	14	18,797	—
Time deposits		18,796	—
Cash and cash equivalents		45,364	42,384
Tax recoverable		1,042	—
Total current assets		<u>187,073</u>	<u>161,404</u>
CURRENT LIABILITIES			
Trade and bills payables	15	30,997	30,775
Other payables and accruals		12,029	13,342
Interest-bearing bank borrowings		1,316	12,875
Tax payable		6,087	6,208
Total current liabilities		<u>50,429</u>	<u>63,200</u>
NET CURRENT ASSETS		<u>136,664</u>	<u>98,204</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>142,682</u>	<u>105,172</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		44	34
Other payables and accruals		537	396
Total non-current liabilities		<u>581</u>	<u>430</u>
Net assets		<u>142,101</u>	<u>104,742</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	4,800	—
Reserves		137,301	104,742
Total equity		<u>142,101</u>	<u>104,742</u>

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 ended 31 December 2014. The shares of the Company (the "Share(s)") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 July 2014 (the "Listing Date") (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/combined 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 and 31 December 2013 have been prepared as if the current group structure had been in existence throughout the years ended 31 December 2014 and 31 December 2013, respectively, or since the respective dates of establishment of the respective companies now comprising the Group, where this is a shorter period. The consolidated/combined statement of financial position of the Group as at 31 December 2014 and 31 December 2013 have been prepared as if the current group structure had been in existence at those dates and to present the assets and liabilities of the subsidiaries using the then carrying values. No adjustments are made to reflect fair values, or recognised any new assets or liabilities as a result of Reorganisation.

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") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in section 76 to 87 of Schedule 11 to that 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.

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.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

The Company is domiciled in the Cayman Islands while approximately 88.6% (year ended 31 December 2013: 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 during the year. At the end of the reporting period, the non-current assets of the Group were located in:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	3,512	3,212
Other countries	2,223	3,510
Mainland China	303	246
	<u>6,038</u>	<u>6,968</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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A	78,382	131,344
Customer B	N/A*	80,903
Customer C	91,030	162,547
Customer D	<u>49,217</u>	<u>63,347</u>

* *Less than 10% of revenue*

7. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other income		
Bank interest income	171	338
Sale of scrap materials	467	1,397
Rework and compensation income	1,278	1,076
Sundry income	182	427
	<u>2,098</u>	<u>3,238</u>
Gains, net		
Exchange gains, net	—	635
Gain on disposal of an item of property, plant and equipment	1	—
	<u>1</u>	<u>635</u>
	<u><u>2,099</u></u>	<u><u>3,873</u></u>
8. FINANCE COST		
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	<u>92</u>	<u>265</u>

9. PROFIT/(LOSS) BEFORE TAX

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of inventories sold	280,411	469,981
Depreciation	1,439	1,031
Minimum lease payments under operating leases in respect of land and buildings	2,299	2,146
Foreign exchange differences, net	230	(635)
Impairment of trade receivables	228	—
Gain on disposal of an item of property, plant and equipment	(1)	—
Write-off of items of property, plant and equipment*	—	151
	<u> </u>	<u> </u>

* The balance was included in "Other expenses, net" on the face of the consolidated/combined statement of profit or loss.

10. INCOME TAX

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Group:		
Current:		
— Hong Kong	143	1,570
— Elsewhere	883	593
Deferred	10	9
	<u> </u>	<u> </u>
Total tax charge for the period	<u>1,036</u>	<u>2,172</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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% (2013: 25%). 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.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share for the year is based on the loss attributable to owners of the Company of HK\$17,839,000 (2013: profit attributable to owners of the Company of HK\$24,813,000), and the weighted average number of ordinary shares of 417,205,479 (2013: 360,000,000) in issue during the year, on the assumption that the Reorganisation and the capitalisation issue had been completed on 1 January 2013.

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there was no dilutive potential share outstanding for the years ended 31 December 2014 and 2013.

12. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired items of property, plant and equipment at costs of HK\$1,292,000 (2013: HK\$3,287,000).

As at 31 December 2014, the Group's property with a net carrying amount of HK\$1,913,000 (2013: HK\$1,979,000) was pledged to secure general banking facilities granted to the Group.

13. TRADE AND BILLS RECEIVABLES

Group

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	38,273	58,805
Bills receivable	2,503	7,983
	<u>40,776</u>	<u>66,788</u>
Impairment	(228)	—
	<u><u>40,548</u></u>	<u><u>66,788</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 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 1 month	34,462	45,979
1 to 2 months	5,103	14,846
2 to 3 months	873	5,836
Over 3 months	110	127
	<u><u>40,548</u></u>	<u><u>66,788</u></u>

14. FINANCIAL INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

This represents an investment in a structured deposit which is 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 structured deposit will mature 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:

Group

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 1 month	25,681	24,647
1 to 2 months	3,587	4,881
2 to 3 months	661	335
Over 3 months	1,068	912
	<u>30,997</u>	<u>30,775</u>

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

16. SHARE CAPITAL

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

The movements in the Company's authorised and issued share capital during the period from 30 September 2013 (date of incorporation) to 31 December 2014 are as follows:

	<i>Notes</i>	Number of ordinary shares of HK\$0.01	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:			
At 30 September 2013 (date of incorporation) and at 31 December 2013	(a)	38,000,000	380
Increase in authorised share capital on 20 June 2014	(b)	<u>962,000,000</u>	<u>9,620</u>
At 31 December 2014		<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:			
At 30 September 2013 (date of incorporation) and at 31 December 2013	(c)	1	—
Issue of Shares on 11 June 2014	(d)	99	—
Capitalisation issue	(e)	359,999,900	3,600
Issue of Shares in connection with the Listing on 11 July 2014	(f)	<u>120,000,000</u>	<u>1,200</u>
At 31 December 2014		<u>480,000,000</u>	<u>4,800</u>

Notes:

- (a) The authorised share capital of the Company at the date of its incorporation was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.
- (b) 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 additional 962,000,000 ordinary shares of HK\$0.01 each, ranking *pari passu* in all respects with the existing shares.
- (c) On 30 September 2013, 1 Share of HK\$0.01 was allotted and issued as nil paid to the initial subscriber, which was transferred to Happy Zone Limited, a shareholder of the Company (solely and beneficially owned by Mr. Liu Ying Yin, James, “Happy Zone”) on the same date as a nil paid share.
- (d) On 11 June 2014, 50 and 49 Shares of HK\$0.01 each were allotted and issued for a consideration of HK\$0.50 and HK\$0.49 respectively to Happy Zone and Mr. Cheng Lap Yin, the shareholders of the Company (the “Controlling Shareholders”), respectively.
- (e) 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\$3,599,999 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.
- (f) 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 approximately, HK\$62,400,000. Dealings in the Shares of the Company on the Stock Exchange commenced on 11 July 2014.

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 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, 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 Date.

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 2014 (the “Reporting Period”), the Group’s revenue was approximately HK\$334.8 million, representing a decrease of approximately 39.6% when compared to the year ended 31 December 2013 (the “Previous Reporting Period”) of approximately HK\$554.6 million. The decrease in the Group’s revenue was mainly attributable to (i) change of business strategies of two major customers, of which (a) one has changed from selling of mid-end products to price competitive products which the unit prices were lower since the fourth quarter of 2013; and (b) one has changed from selling basic products to fashion items which the quantity demanded were lower since the fourth quarter of 2013; (ii) the frail US economy with the associated weak consumer spending in apparels which slowed down the orders by our customers; and (iii) the fact some of our orders that were scheduled to be shipped in December 2014 were postponed to 2015.

Accordingly, gross profit decreased from approximately HK\$84.6 million in the Previous Reporting Period to approximately HK\$54.4 million in the Reporting Period, representing a decrease of approximately 35.7%. Nevertheless, gross profit margin slightly improved from approximately 15.3% in the Previous Reporting Period to approximately 16.3% in the Reporting Period.

Net loss attributable to the owners of the Company for the Reporting Period was approximately HK\$17.8 million as compared to a profit of approximately HK\$24.8 million for the Previous Reporting Period. In addition to the decrease in gross profit of approximately HK\$30.2 million, listing expenses of approximately HK\$11.4 million was incurred in the Reporting Period as compared to approximately HK\$7.5 million incurred in the Previous Reporting Period. Finally, administrative expenses of approximately HK\$57.7 million was incurred in the Reporting Period as compared to approximately HK\$49.5 million incurred in the Previous Reporting Period that accounted for the remaining decrease.

The unrest of garment workers and the rising minimum wages in Cambodia had caused some production delay and claims, but the impacts were not significant. In order to provide strong backup to the Group’s apparel supply chain business, the management continues to look for production base in other lower cost countries such as Vietnam and Indonesia for competitiveness and country risk diversification.

Financial Review

Revenue

The Group’s revenue for the Reporting Period was approximately HK\$334.8 million, which decreased by approximately HK\$219.8 million when compared to the Previous Reporting Period. The decrease in the Group’s revenue was mainly attributable to (i) change of business strategies of two major customers, of which (a) one has changed from selling of mid-end products to price competitive products which the unit prices were lower since the fourth quarter of 2013; and (b) one has changed

from selling basic products to fashion items which the quantity demanded were lower since the fourth quarter of 2013; (ii) the frail US economy with the associated weak consumer spending in apparels which slowed down the orders by our customers; and (iii) the fact some of our orders that were scheduled to be shipped in December 2014 were postponed to 2015.

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 96.7% of the total cost of sales for the Reporting Period (the Previous Reporting Period: approximately 97.6%).

Gross Profit and Margin

The Group's gross profit for the Reporting Period was approximately HK\$54.4 million, representing a decrease of approximately 35.7% from approximately HK\$84.6 million for the Previous Reporting Period.

The Group's overall gross profit margin was approximately 16.3% for the Reporting Period, representing an increase of approximately 6.5% from approximately 15.3% for the Previous Reporting Period, which is mainly attributable to (i) slight increase in the average selling price of the products by approximately 1% due to the sales mix of the products by the Group's major customers; and (ii) change in buying strategies to items with higher gross profit margin as communicated by the Group's major customers to the Group.

Other Income and Gains, net

Other income and gains, net for the Reporting Period was approximately HK\$2.1 million, representing a decrease of approximately 45.8% from the Previous Reporting Period. The decrease was mainly due to the decrease in sale of scrap materials.

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 increased by approximately 17.2% to approximately HK\$2.2 million during the Reporting Period mainly due to the increase in sample cost.

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 16.7% to approximately HK\$57.7 million during the Reporting Period mainly due to the increase in staff costs.

Other Expenses, net

Other expenses, net comprised mainly listing expenses. Other expenses, net increased by approximately 22.3% during the Reporting Period mainly due to the increase in listing expenses.

Finance Cost

Finance costs decreased by approximately 65.3% to approximately HK\$92,000 as compared to approximately HK\$265,000 in the Previous Reporting Period primarily because of the decrease in bank borrowings in the Reporting Period due to decrease in purchases of materials which was consistent with the decrease in sales 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 2014, cash and cash equivalents amounted to approximately HK\$45.4 million, which increased by approximately 7.1% as compared to approximately HK\$42.4 million as at 31 December 2013. The current ratio of the Group was approximately 3.7 (2013: 2.6).

GEARING RATIO

The Group did not have debt incurred not in the ordinary course of business. The bank borrowings of the Group as at 31 December 2014 and 31 December 2013 were incurred for trade finance purposes. Thus, gearing ratio was nil to the Group.

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 consists of additions to property, plant and equipment amounting to approximately HK\$1.3 million.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group did not have any significant capital commitments (2013: HK\$1.7 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total of 225 employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK\$38.4 million for the Reporting Period, as compared to approximately HK\$32.1 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

Contingent Liabilities

As disclosed in note 17 to the consolidated/combined financial statement in this announcement and the announcement of the Company dated 22 July 2014, 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 2014, the Group's property with a net carrying value of approximately HK\$1.9 million (2013: approximately HK\$2.0 million) was pledged to banks to secure general banking facilities granted to the Group.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares were listed on 11 July 2014 on the Main Board of the Stock Exchange. The total net proceeds from the Listing which involved the issue of 120,000,000 ordinary Shares of HK\$0.01 each of the Company amounted to approximately HK\$43.8 million. During the period between the Listing Date and 31 December 2014, the net proceeds from the Listing were utilized in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus dated 30 June 2014. The balance of fund would be utilized according to the use disclosed in the Prospectus. The Group held the unutilized net proceeds in short term deposits with licensed institutions in Hong Kong.

FUTURE PROSPECTS

The management of the Group remains prudently optimistic about the business environment for the apparel supply chain servicing business in 2015 as turnover has recovered slightly by approximately 7.0% during the first quarter of 2015 when compared with same period in 2014. In order to maintain its competitiveness, the Group will continue to enhance product development and creativity to meet fashion trends and streamline the Group’s operation. The Group has also started its supply chain management business with a Chinese customer, expanded its geographical base to European Union by liaising with an in-house sales consultant overseas and new product line is being developed for further growth opportunity. In addition, the Group is currently negotiating with more third party manufacturers in Southeast Asian countries such as Vietnam and Indonesia to enhance its cost competitiveness.

The Group is actively looking for solutions to provide better services to its customers. The current ERP system has been upgraded to improve transparency of order status and production planning. A mobile application has been launched to enable its customers and staff to monitor the order status and to keep updated with market intelligence. The Group is also investing in cloud computing and infrastructure to allow centralized and speedy access of ERP system and information by overseas regional offices.

CORPORATE GOVERNANCE

The Shares of the Company have been listed on the Stock Exchange with effect from the Listing Date. The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted 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. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

From the Listing Date and up to the date of this announcement, the Company has complied with the Code Provisions. The Directors 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 period from the Listing Date to the date of the Board meeting approving the annual results announcement for the year ended 31 December 2014.

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 2014.

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

From the Listing Date and up to the date of this announcement, 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 a final dividend for the year ended 31 December 2014.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement for the year ended 31 December 2014 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 2014 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, 27 March 2015

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.