Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF 2008 ANNUAL RESULTS

FINANCIAL SUMMARY OF 2008 ANNUAL RESULTS

- Revenue rose by 20% to HK$3,492 million
- Profit attributable to equity holders of the Company decreased by 21% to HK$103 million
- Earnings per share decreased from HK$0.48 to HK$0.38
- Proposed final dividend of HK$0.09 per share

RESULTS

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2008 together with comparative figures for 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Revenue	2, 3	**3,491,630**	2,913,318
Cost of sales		**(2,783,140)**	(2,325,901)
Gross profit		**708,490**	587,417
Other income and other gains/(losses)	4	**25,471**	25,261
Selling and distribution expenses		**(162,239)**	(127,680)
General and administrative expenses		**(452,165)**	(335,166)
Profit from operations	5	**119,557**	149,832
Finance income		**8,008**	11,758
Finance costs	6	**(12,394)**	(12,192)
Gain from acquisitions of additional interests in subsidiaries		**—**	203
Share of losses of associates		**(2,696)**	—
Provision for impairment in an associate		**(2,775)**	—
Profit before income tax		**109,700**	149,601
Income tax expense	7	**(7,218)**	(17,347)
Profit for the year		**102,482**	132,254
Attributable to:			
Equity holders of the Company		**102,517**	130,263
Minority interests		**(35)**	1,991
		102,482	132,254
Dividends	8	**40,310**	53,747
Earnings per share attributable to equity holders of the Company:			
Basic	9	**HK$0.38**	HK$0.48
Diluted	9	**HK$0.38**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**571,338**	468,334
Investment properties		**1,065**	1,649
Leasehold land and land use rights		**27,824**	28,868
Intangible assets		**159,738**	18,269
Other long-term assets		**19,627**	17,288
Deferred income tax assets		**6,676**	3,793
Investments in associates		**4,991**	—
		791,259	538,201
CURRENT ASSETS			
Inventories		**343,472**	367,438
Accounts receivable and bills receivable	10	**384,874**	364,219
Derivative financial instruments		**45,621**	—
Prepayments and other receivables		**73,445**	83,137
Cash and cash equivalents		**300,349**	389,398
		1,147,761	1,204,192
Non-current assets held for sale		**5,599**	5,874
		1,153,360	1,210,066
CURRENT LIABILITIES			
Accounts payable and bills payable	11	**185,269**	184,029
Accruals and other payables		**205,633**	163,802
Current income tax liabilities		**43,674**	40,338
Bank borrowings		**210,842**	227,092
		645,418	615,261
NET CURRENT ASSETS		**507,942**	594,805
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,299,201**	1,133,006
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		**33,694**	35,427
License fees payable		**124,247**	17,612
Deferred income tax liabilities		**83,629**	96,493
Other long-term liabilities		**6,589**	—
		248,159	149,532
NET ASSETS		**1,051,042**	983,474
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**26,874**	26,874
Reserves		**1,023,726**	956,113
		1,050,600	982,987
Minority interests		**442**	487
TOTAL EQUITY		**1,051,042**	983,474

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of the freehold land and buildings at fair values, and stating certain derivative instruments at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) Interpretations to existing standards effective in 2008

In 2008, the Group adopted the following interpretations which are effective for accounting periods beginning on or after 1 January 2008 and are relevant to the Group's operations. The impact on the Group's accounting policies upon the adoption is set out below:

- HK(IFRIC*) — Interpretation 11, 'HKFRS 2 — Group and Treasury Share Transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.

- HK(IFRIC) — Interpretation 14, 'HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The adoption of HK(IFRIC) — Interpretation 14 has no impact on the Group's financial statements, as economic benefit in the form of refund is available to the Group upon full settlement of the plan liabilities.

  * IFRIC: International Financial Reporting Interpretations Committee

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective for annual period starting from 1 January 2009)

- HKAS 23 (Revised), 'Borrowing Costs' (effective for annual period starting from 1 January 2009)

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective for annual period starting from 1 July 2009)

- HKFRS 2 (Amendment), 'Share-based Payment — Vesting Conditions and Cancellations' (effective for annual period starting from 1 January 2009)

- HKFRS 3 (Revised), 'Business Combinations' (effective for annual period starting from 1 July 2009)

- HKFRS 8, 'Operating Segments' (effective for annual period starting from 1 January 2009)

- HK(IFRIC) — Interpretation 13, 'Customer Loyalty Programmes' (effective for annual period starting from 1 July 2008)

- HK(IFRIC) — Interpretation 16, 'Hedges of a Net Investment in a Foreign Operation' (effective for annual period starting from 1 October 2008)

- Amendments in relation to HKICPA's annual improvements project published in October 2008:

  — HKAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual period starting from 1 January 2009)

  — HKAS 19 (Amendment), 'Employee Benefits' (effective for annual period starting from 1 January 2009)

  — HKAS 23 (Amendment), 'Borrowing Costs' (effective for annual period starting from 1 January 2009)

  — HKAS 27 (Amendment), 'Consolidated and Separate Financial Statements' (effective for annual period starting from 1 January 2009)

  — HKAS 28 (Amendment), 'Investments in Associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial Instruments: Disclosures') (effective for annual period starting from 1 January 2009)

  — HKAS 36 (Amendment), 'Impairment of Assets' (effective for annual period starting from 1 January 2009)

  — HKAS 38 (Amendment), 'Intangible Assets' (effective for annual period starting from 1 January 2009)

  — HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' (effective for annual period starting from 1 January 2009)

  — There are a number of minor amendments to HKFRS 7, 'Financial Instruments: Disclosures', HKAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', HKAS 10, 'Events After the Balance Sheet Date', HKAS 18, 'Revenue' and HKAS 34, 'Interim Financial Reporting' which are relevant to the Group's operations.

The Group has assessed the potential impact of these HKFRS, HKAS and HK(IFRIC) — Interpretations. Details of the Group's assessment are included in the annual report of the Company for the year ended 31 December 2008.

2. SEGMENT INFORMATION

(a) Primary reporting format — Business segments

The Group conducts majority of its business activities in two segments: (i) garment manufacturing, and (ii) branded product distribution, retail and trading.

The garment manufacturing segment represents manufacturing of garment products, primarily under OEM (Original Equipment Manufacturing) arrangements to customers in the United States of America, Europe and Asia. The branded product distribution, retail and trading segment represents the distribution, retail and trading of branded products in Asia.

The segment results are as follows:

	Garment manufacturing		Branded product distribution, retail and trading		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**3,159,593**	2,592,858	**332,037**	320,460	**3,491,630**	2,913,318
Segment results	**84,351**	112,734	**16,601**	35,627	**100,952**	148,361
Net gain on disposals of investment properties					**17,567**	—
Net rental income from investment properties					**1,038**	1,471
Finance income	**6,759**	10,726	**1,249**	1,032	**8,008**	11,758
Finance costs	**(9,558)**	(10,202)	**(2,836)**	(1,990)	**(12,394)**	(12,192)
Gain from acquisitions of additional interests in subsidiaries	**—**	195	**—**	8	**—**	203
Share of losses of associates	**(2,696)**	—	**—**	—	**(2,696)**	—
Provision for impairment in an associate	**(2,775)**	—	**—**	—	**(2,775)**	—
Profit before income tax					**109,700**	149,601
Income tax expense					**(7,218)**	(17,347)
Profit for the year					**102,482**	132,254

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,644,519**	1,577,574	**273,516**	145,199	**26,584**	25,494	**1,944,619**	1,748,267
Segment liabilities	**588,173**	575,187	**178,101**	52,775	**127,303**	136,831	**893,577**	764,793
Net assets							**1,051,042**	983,474
Capital expenditure	**201,043**	82,237	**135,119**	27,352	**—**	—	**336,162**	109,589
Depreciation on property, plant and equipment	**51,325**	46,861	**5,613**	2,764	**393**	1,463	**57,331**	51,088
Provision for impairment of property, plant and equipment	**—**	—	**4,025**	—	**—**	—	**4,025**	—
Amortisation of leasehold land and land use rights	**735**	687	**—**	—	**121**	112	**856**	799
Depreciation on investment properties	**—**	—	**—**	—	**35**	189	**35**	189
Amortisation of license rights	**—**	—	**5,478**	10,162	**—**	—	**5,478**	10,162
Provision for impairment of receivables	**1,387**	60	**55**	176	**—**	—	**1,442**	236
Net write-down of inventories to net realisable value	**18,176**	15,741	**2,146**	1,293	**—**	—	**20,322**	17,034

Unallocated assets mainly include land and buildings not in use, investment properties and income tax assets. Unallocated liabilities represent income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights, investments in associates and intangible assets, including additions resulting from acquisitions through business combinations.

(b) **Secondary reporting format — Geographical segments**

The Group's revenue is derived from customers located in the United States of America, Asia and Europe, while the Group's production facilities and other assets are located predominantly in the People's Republic of China (the "PRC") and Thailand. The PRC includes the mainland of the PRC, Hong Kong and Macau. An analysis of the Group's external revenue by location of customers and an analysis of the Group's assets and capital expenditure by location of assets are as follows:

	The United States of America		**Europe**		**Asia**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External revenue	**2,094,412**	2,153,611	**817,544**	291,369	**579,674**	468,338	**3,491,630**	2,913,318

	PRC		**Thailand**		**Other locations**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,459,482**	1,324,828	**173,806**	228,328	**311,331**	195,111	**1,944,619**	1,748,267
Capital expenditure	**287,981**	101,627	**883**	754	**47,298**	7,208	**336,162**	109,589

3. REVENUE

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**3,474,976**	2,894,776
Commission income	**16,654**	18,542
	3,491,630	2,913,318

4. OTHER INCOME AND OTHER GAINS/(LOSSES)

	2008	2007
	HK$'000	*HK$'000*
Other income and other gains/(losses)		
Net gain on disposals of investment properties	**17,567**	—
Net (loss)/gain on disposals of property, plant and equipment	**(1,277)**	1,955
Net loss on disposals of leasehold land	**(996)**	—
Rental income from investment properties	**1,283**	1,807
Gain on disposal of an investment	**—**	43
Gain arising on termination of a license right	**—**	11,428
Change in fair value of derivative financial instruments	**2,792**	—
Gain on ineffectiveness arising from net investment hedge	**1,113**	—
Contribution from a customer	**2,240**	—
Government incentive on reinvestment of profit	**—**	5,356
Quota income	**494**	4,523
Insurance claim income	**1,634**	—
Sundry income	**621**	149
	25,471	25,261

5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	2008 HK$'000	2007 HK$'000
Depreciation on property, plant and equipment	**57,331**	51,088
Provision for impairment of property, plant and equipment	**4,025**	—
Depreciation on investment properties	**35**	189
Amortisation of leasehold land and land use rights	**856**	799
Amortisation of license rights	**5,478**	10,162
Provision for impairment of receivables	**1,442**	236
Net write-down of inventories to net realisable value	**20,322**	17,034
Employment expenses	**703,021**	609,456

6. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans	**9,159**	10,203
Imputed interest on license fees payable	**2,836**	1,989
Imputed interest on other long-term liabilities	**399**	—
	12,394	12,192

7. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
Current income tax		
Hong Kong profits tax	**8,912**	22,824
Non-Hong Kong tax	**13,500**	6,433
Deferred income tax	**(15,194)**	(11,910)
	7,218	17,347

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits. Income taxes on non-Hong Kong profits have been calculated on the estimated assessable profits at the applicable income tax rates prevailing in the countries/places in which the Group operates.

In early 2006, the Hong Kong Inland Revenue Department (the "HK IRD") initiated a tax audit on certain companies within the Group for the years of assessment from 1999/2000 (financial year ended 31 December 1999) to 2004/2005 (financial year ended 31 December 2004). The HK IRD has issued protective assessments to some of these companies for the years of assessment 1999/2000, 2000/2001, 2001/2002 and 2002/2003 in view of the statutory time bar. During the course of the tax audit, further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is ongoing, its outcome cannot be readily ascertained with any degree of accuracy. The management of the Group has reviewed the situation and, after seeking necessary professional advice, considers that sufficient tax related provisions have been made in the consolidated financial statements in respect of the protective assessments which the Group had received.

8. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid — HK$0.06 (2007: HK$0.08) per share	**16,124**	21,499
Final dividend proposed — HK$0.09 (2007: HK$0.12) per share	**24,186**	32,248
	40,310	53,747

A final dividend for the year ended 31 December 2008 of HK$0.09 per share, totalling HK$24,186,000 (2007: HK$0.12 per share, totalling HK$32,248,000), is recommended by the Board for approval at the forthcoming annual general meeting of the Company. This proposed dividend has not been dealt with as dividend payable as at 31 December 2008, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 of HK$102,517,000 (2007: HK$130,263,000) by the weighted average number of shares in issue during the year of 268,735,253 (2007: 268,735,253).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme. As the exercise price of the share options granted by the Company was higher than the average market price of the Company's shares for the period from the date of grant to 31 December 2008, those outstanding share options granted, which amounted to 1,788,000 shares as at 31 December 2008, have no dilutive effect on earnings per share for the year ended 31 December 2008.

10. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

The aging analysis is as follows:

	2008	2007
	HK$'000	*HK$'000*
Less than 3 months	**380,352**	355,601
3 months to 6 months	**4,522**	8,618
Over 6 months	**3,954**	2,616
	388,828	366,835
Less: provision for impairment	**(3,954)**	(2,616)
	384,874	364,219

Majority of trade receivables are with customers having an appropriate credit history. The Group grants its customers credit terms ranging from 30 to 45 days. Most of the accounts receivable and bills receivable are covered by letters of credit issued by banks; while the remaining portion is on open account which is substantially covered by credit insurance.

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

11. ACCOUNTS PAYABLE AND BILLS PAYABLE

	2008	2007
	HK$'000	*HK$'000*
Third parties	**180,828**	184,029
Associates	**4,441**	—
	185,269	184,029

The aging analysis is as follows:

	2008	2007
Less than 3 months	**171,284**	176,164
3 months to 6 months	**10,418**	6,665
Over 6 months	**3,567**	1,200
	185,269	184,029

Majority of payment terms with suppliers are within 60 days.

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

12. CAPITAL COMMITMENTS

The Group had capital commitments in relation to construction of production facilities and purchase of equipment, as follows:

	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided for	**38,422**	10,404
Authorised but not contracted for	**3,456**	—
	41,878	10,404

MANAGEMENT DISCUSSION AND ANALYSIS

In this Management Discussion and Analysis, we present a review of our business and a discussion on the financial performance of Tristate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2008.

BUSINESS REVIEW

For the year ended 31 December 2008, the total revenue of the Group was HK$3,491,630,000 (2007: HK$2,913,318,000), representing an increase of 20% as compared with 2007. Profit attributable to equity holders decreased by 21% to HK$102,517,000 (2007: HK$130,263,000).

Revenue generated from the garment manufacturing segment increased by 22% as compared with 2007. This was mainly due to the revenue contribution from the Velmore Group (as defined below) since its acquisition by the Group on 14 March 2008 as well as the growth in sales orders from existing and new customers during the year.

Revenue from the branded product distribution, retail and trading segment increased by 4% when compared with 2007. Such increase was mainly due to the revenue contribution from the Group's distribution business in China. During the year, the Group has renewed an existing license agreement and signed a new branded product distribution license agreement.

Geographically, the United States of America continued to be the major export market for the Group, contributing 60% (2007: 74%) of the total revenue. During the year, sales to Europe increased to 23% (2007: 10%) of the Group's total revenue due to the Group's increased access to the United Kingdom market following the acquisition of the Velmore Group. Sales to Asia recorded satisfactory growth and remained stable at 17% (2007: 16%) of the total revenue of the Group. The Group's garment manufacturing revenue is generally subject to seasonality. The management of the Group seeks to minimise the impact of seasonality by focusing on key customers with relatively even year-round orders.

Gross profit of the Group increased to HK$708,490,000 (2007: HK$587,417,000) while gross profit margin remained at 20%. Selling and distribution expenses increased by 27% mainly due to the increase in shop rental and running expenses which was in line with the expansion of the branded product distribution business. General and administrative expenses increased by 35%. Such increase was mainly due to our consolidation of the results of the Velmore Group.

The first year integration of the Velmore Group and the expansion in new branded product distribution business have principally caused the profit attributable to equity holders of the Company for the year to decrease by 21% to HK$102,517,000 (2007: HK$130,263,000).

In early 2006, the Hong Kong Inland Revenue Department (the "HK IRD") initiated a tax audit on certain companies within the Group for the years of assessment from 1999/2000 (financial year ended 31 December 1999) to 2004/2005 (financial year ended 31 December 2004). The HK IRD has issued protective assessments to some of these companies for the years of assessment 1999/2000, 2000/2001, 2001/2002 and 2002/2003 in view of the statutory time bar. During the course of the tax audit, further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is ongoing, its outcome cannot be readily ascertained with any degree of accuracy. The management of the Group has reviewed the situation and, after seeking necessary professional advice, considers that sufficient tax related provisions have been made in the consolidated financial statements in respect of the protective assessments which the Group had received.

The Group's construction of the third production facility in the Hefei Economic & Technological Development Area in Anhui Province was completed by the end of 2008 with production commenced in February 2009. The third production facility will contribute an additional factory space of about 29,000 square meters, bringing the total factory space of Hefei production base to around 46,000 square meters.

ACQUISITION OF VELMORE GROUP

On 25 January 2008, Sharp Hero International Limited ("Sharp Hero"), a wholly-owned subsidiary of the Company, and Mr. Derek Anthony MORTON and Ms. Stephanie Vera MORTON (the "Vendors") entered into a share purchase agreement, pursuant to which Sharp Hero conditionally agreed to purchase from the Vendors the entire issued share capital of Velmore Holdings Limited ("Velmore"). The acquisition was completed on 14 March 2008 for a cash consideration of HK$155,674,000 (equivalent to GBP9,870,000), subject to adjustments as stated in the share purchase agreement.

Velmore is an investment holding company incorporated in England with limited liability. Its principal subsidiary, Velmore Limited, is a full service vendor to a renowned retail chain in the United Kingdom. Services provided by Velmore and its subsidiaries (the "Velmore Group") include garment design, fabric development and testing, sample making, raw materials procurement, management of contract manufacturers and quality assurance. Velmore holds equity interests in two garment manufacturers in Morocco. Further details of the acquisition were set out in the announcement and the circular of the Company dated 29 January 2008 and 31 March 2008, respectively.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the year 2008 and up to the date of this announcement and no important events affecting the Group have occurred since 31 December 2008 and up to the date of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

During the year, the Group continued to maintain a healthy liquidity position. As at 31 December 2008, cash and cash equivalents amounted to HK$300,349,000 (2007: HK$389,398,000) which were mainly denominated in Renminbi and United States dollars. The short-term bank borrowings of the Group amounted to HK$210,842,000 as at 31 December 2008 (2007: HK$227,092,000). Such borrowings were denominated in United States dollars, Hong Kong dollars and Thai Bahts. As at 31 December 2008, HK$119,320,000 (2007: HK$54,731,000) and HK$91,522,000 (2007: HK$172,361,000) of the short-term bank borrowings were interest bearing at fixed rates and floating rates, respectively. The Group maintained sufficient banking facilities and did not have any long-term bank borrowings outstanding as at 31 December 2008. Apart from the pledging of HK$15,498,000 bank deposit as collateral for certain foreign exchange facilities, facilities extended to the Group were not charged with the Group's assets. As the Group did not have net borrowings as at 31 December 2008 and 2007, no information on gearing ratio as at 31 December 2008 and 2007 is provided.

Most of the Group's receipts and payments were denominated in Hong Kong dollars, Renminbi, United States dollars, Euro and Pound Sterling. The management of the Group monitors the related foreign exchange risk exposure closely and manages significant foreign exchange risk with forward foreign exchange contracts. During the year ended 31 December 2008, the Group has entered into forward foreign exchange contracts to hedge against the foreign exchange exposures for payment of factory expenses denominated in Renminbi, British Pounds for sales receipts from customers and Euro for payments to suppliers. Further, the Group has entered into forward foreign exchange contracts to hedge against its net investment in the United Kingdom.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Except for the capital commitments described in Note 12 to this announcement, there were no material capital commitments or contingent liabilities as at 31 December 2008 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had about 17,000 employees as at 31 December 2008 (2007: 20,000). Fair and competitive remuneration packages and benefits are offered to competent employees. Discretionary bonuses are granted to eligible employees with outstanding performance. In addition, the Company has a share option scheme for granting of options to eligible persons to subscribe for shares in the Company.

FUTURE DEVELOPMENT

The global financial crisis which commenced in the middle of 2007 has led to recession in major economies, tightened liquidity across the banking sector and a high volatility in the currency and commodity markets. The garment manufacturing business of the Group was affected by a slowdown in demand, price contraction as well as volatility in foreign currencies. While the full impact of such factors is hard to anticipate, the Group will endeavour to take all necessary measures to mitigate its impact. The Group will continue to offer a variety of value added services to its customers and implement stringent cost control to optimise its profit margin. With the design and sales team of the Velmore Group based in the United Kingdom, the Group will extend its scope of services and products offered which include garment design, fabric development and testing, and in particular, complete apparel solutions to customers in the United Kingdom. The Group plans to extend similar services to its customers in the United States of America.

China's economy remains relatively sound in spite of the global financial crisis. Economic growth in China is expected to continue in the coming year, albeit at a slower pace. The Group has plans to continue its expansion of branded product distribution, retail and trading business in China. The Group has strong financial resources and management expertise, and will continue to look for branded product distribution opportunities in order to broaden its brand portfolio.

Going forward, the Group will also continue focusing on its core customers and product offerings. Given the outlook of the global economy in the near term remains challenging and uncertain, the Group maintains a cautious view of its overall performance for the coming year.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2008, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the deviation from code provision A.2.1 which states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Considered reasons for the deviation from code provision A.2.1 were set out in the Corporate Governance Report of the Company's last published annual report for the year ended 31 December 2007. Further information of the Company's corporate governance practices will be set out in the Corporate Governance Report of the Company's annual report for the year ended 31 December 2008, which will be available for publication as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

PROPOSED FINAL DIVIDEND

An interim dividend of HK$0.06 per share amounting to HK$16,124,000 was paid on 6 October 2008 (2007: HK$0.08 per share, totalling HK$21,499,000). The Board recommends the payment of a final dividend of HK$0.09 per share, totalling HK$24,186,000 for the year ended 31 December 2008 (2007: HK$0.12 per share, totalling HK$32,248,000).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Monday, 1 June 2009, is expected to be paid on Thursday, 4 June 2009 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 1 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 May 2009 to Monday, 1 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 26 May 2009.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Room 5A, 5th Floor, 66–72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong at 10:00 a.m. on Monday, 1 June 2009 (the "Annual General Meeting"). The notice of Annual General Meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements and the annual report of the Group for the year ended 31 December 2008 with the auditor and the management of the Group and recommended them to the Board for approval.

On behalf of the Board
WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 1 April 2009

As at the date of this announcement, the Board comprises one Executive Director, Mr. WANG Kin Chung, Peter; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and three Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK and Professor John Zhuang YANG.