Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF 2018 ANNUAL RESULTS

FINANCIAL SUMMARY OF 2018 ANNUAL RESULTS

- Revenue of HK$2,578 million
- Loss attributable to equity shareholders of HK$80 million
- Loss per share of HK$0.30

RESULTS

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2018 together with comparative figures for 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**2018** ***HK$'000***	2017 *(Note)* *HK$'000*
Revenue	3, 4	**2,578,322**	1,922,706
Cost of sales		**(1,958,175)**	(1,500,872)
Gross profit		**620,147**	421,834
Other income and other gains	5	**3,430**	30,990
Selling and distribution expenses		**(208,697)**	(98,939)
General and administrative expenses		**(471,364)**	(421,218)
Loss from operations	6	**(56,484)**	(67,333)
Finance income	7	**3,574**	4,457
Finance costs	7	**(17,928)**	(4,310)
Loss before taxation		**(70,838)**	(67,186)
Income tax (charge)/credit	8	**(8,995)**	2,206
Loss for the year		**(79,833)**	(64,980)
Attributable to:			
Equity shareholders of the Company		**(80,455)**	(64,180)
Non-controlling interests		**622**	(800)
Loss for the year		**(79,833)**	(64,980)
Loss per share attributable to equity shareholders of the Company:			
Basic	10	**HK$(0.30)**	HK$(0.24)
Diluted	10	**HK$(0.30)**	HK$(0.24)

Details of dividends payable to equity shareholders of the Company are set out in Note 9.

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
		(Note)
	HK$'000	*HK$'000*
Loss for the year	**(79,833)**	(64,980)
Other comprehensive income, net of nil tax unless specified:		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on cash flow hedges:		
(Losses)/Gains arising during the year	**(14,477)**	43,063
Transferred to and included in the following line items in the consolidated statement of profit or loss:		
Cost of sales	**5,464**	5,558
General and administrative expenses	**3,242**	1,037
Exchange difference on translation of financial statements of overseas subsidiaries	**(32,446)**	73,518
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans and long service payment liabilities	**399**	(1,857)
Income tax effect	**(187)**	296
Other comprehensive income for the year	**(38,005)**	121,615
Total comprehensive income for the year	**(117,838)**	56,635
Attributable to:		
Equity shareholders of the Company	**(118,460)**	57,435
Non-controlling interests	**622**	(800)
Total comprehensive income for the year	**(117,838)**	56,635

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	As at 31 December 2018 HK$'000	As at 31 December 2017 (Note) HK$'000
Non-Current Assets			
Property, plant and equipment		**308,963**	325,958
Leasehold land and land use rights		**126,310**	136,392
Intangible assets		**491,905**	208,334
Other long-term assets		**13,006**	12,708
Deferred tax assets		**5,230**	4,669
Defined benefit plan assets		**7,930**	7,769
Forward foreign exchange contracts		**964**	382
Interest in an associate		**–**	–
		954,308	696,212
Current Assets			
Inventories		**402,939**	231,769
Accounts receivable and bills receivable	11	**297,609**	264,864
Forward foreign exchange contracts		**449**	913
Prepayments and other receivables		**74,337**	74,709
Current tax recoverable		**258**	1,054
Cash and bank balances		**321,892**	512,990
		1,097,484	1,086,299
Current Liabilities			
Accounts payable and bills payable	12	**166,179**	105,537
Accruals and other payables and contract liabilities		**245,689**	195,508
Forward foreign exchange contracts		**8,350**	6,239
Current tax liabilities		**13,078**	5,535
Bank borrowings		**73,792**	98,871
		507,088	411,690
Net Current Assets		**590,396**	674,609
Total Assets Less Current Liabilities		**1,544,704**	1,370,821
Non-Current Liabilities			
Retirement benefits and other post retirement obligations		**26,486**	24,500
Licence fees payable		**310,548**	26,613
Deferred tax liabilities		**25,148**	25,221
Forward foreign exchange contracts		**5,178**	1,399
		367,360	77,733
Net Assets		**1,177,344**	1,293,088
Capital and Reserves			
Share capital		**27,161**	27,161
Reserves		**1,152,509**	1,268,875
Total equity attributable to equity shareholders of the Company		**1,179,670**	1,296,036
Non-controlling interests		**(2,326)**	(2,948)
Total Equity		**1,177,344**	1,293,088

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

Notes:

1. Statement of Compliance and Basis of Preparation of the Financial Statements

The consolidated results set out in this announcement do not constitute the Group's annual consolidated financial statements for the year ended 31 December 2018 but are extracted from those financial statements.

The basis of preparation and significant accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 December 2018 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the derivative financial instruments, club debentures and structured bank deposits are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Changes in Accounting Policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendment to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

2. **Changes in Accounting Policies (Continued)**

(i) **HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation***

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	Remeasurement *HK$'000*	HKFRS 9 carrying amount at 1 January 2018 *HK$'000*
Financial assets carried at FVPL				
Other long term assets				
– Club debenture	–	2,100	1,550	3,650
Cash and bank balances				
– Bank structured deposits	–	29,310	–	29,310
	–	31,410	1,550	32,960
Financial assets classified as available-for-sale under HKAS 39 *(Note (i))*	2,100	(2,100)	–	–
Financial assets classified as loans and receivables with embedded derivatives under HKAS 39 *(Note (ii))*	29,310	(29,310)	–	–

2. Changes in Accounting Policies (Continued)

Notes:

(i) Under HKAS 39, club debentures under other long term assets were classified as available-for-sale financial assets. They are classified under FVPL under HKFRS 9.

(ii) Under HKAS 39, bank structured deposits under cash and bank balances were classified as loans and receivables with embedded derivatives. They are classified under FVPL under HKFRS 9.

The measurement categories for all financial assets and liabilities remain the same, except for club debentures and bank structured deposits discussed above. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and bank balances, and accounts and other receivables).

The adoption of the ECL model under HKFRS 9 does not have any material impact on the financial position and the financial results of the Group.

c. Hedge accounting

The Group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 does not have a significant impact on the Group's financial statements in this regard.

2. Changes in Accounting Policies (Continued)

d. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– On 1 January 2018 (the date of initial application of HKFRS 9 by the Group), the Group has made assessment for the determination of the business mode within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

– All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies situations which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;

- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into such situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, amounts received before the goods delivered were presented as advances received under "accruals and other payables".

To reflect these changes in presentation, at 1 January 2018, as a result of the adoption of HKFRS 15, advances received from customers included under "accruals and other payables" of HK$1,690,000 is now renamed as "accruals and other payables and contract liabilities".

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial results of the Group.

3. Segment Information

Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision makers (the Chief Executive Officer and Senior Management collectively) in order to assess performance and allocate resources. The Group manages its business by business units, which are organised by business lines and geography. The Group identified two reportable segments: (i) garment manufacturing, and (ii) brands business. The chief operating decision makers assess the segment performance and allocate resources between segments based on the measure of profit or loss generated. This measurement basis is equivalent to profit/loss for the year of that reportable segment.

Segment assets include all tangible, intangible assets and current assets employed by the segments. Segment liabilities include all current liabilities and non-current liabilities managed directly by the segments. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. The segment information is as follows:

	Garment manufacturing		Brands business		Unallocated		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**2,172,889**	1,708,701	**419,899**	224,785	**–**	–	**2,592,788**	1,933,486
Less: Inter-segment revenue	**(14,466)**	(10,780)	**–**	–	**–**	–	**(14,466)**	(10,780)
Revenue	**2,158,423**	1,697,921	**419,899**	224,785	**–**	–	**2,578,322**	1,922,706
Reportable segment EBITDA *(Note)*	**143,685**	50,003	**(120,172)**	(53,773)	**2,035**	(881)	**25,548**	(4,651)
Finance income	**–**	–	**107**	118	**3,467**	4,339	**3,574**	4,457
Finance costs								
Interest on bank borrowings	**–**	–	**–**	–	**(4,253)**	(2,826)	**(4,253)**	(2,826)
Imputed interest on licence fees payable	**–**	–	**(13,675)**	(1,484)	**–**	–	**(13,675)**	(1,484)
Depreciation on property, plant and equipment	**(31,456)**	(30,872)	**(12,064)**	(6,459)	**(14,104)**	(15,675)	**(57,624)**	(53,006)
Amortisation of leasehold land and land use rights	**(311)**	(300)	**–**	–	**(3,308)**	(3,204)	**(3,619)**	(3,504)
Amortisation of intangible assets								
Licence rights	**–**	–	**(20,718)**	(2,647)	**–**	–	**(20,718)**	(2,647)
Other intangible assets	**–**	–	**(71)**	(3,525)	**–**	–	**(71)**	(3,525)
Reportable segment profit/(loss) before tax	**111,918**	18,831	**(166,593)**	(67,770)	**(16,163)**	(18,247)	**(70,838)**	(67,186)
Income tax (charge)/credit	**(14,934)**	(2,843)	**(380)**	(139)	**6,319**	5,188	**(8,995)**	2,206
Reportable segment profit/(loss) for the year	**96,984**	15,988	**(166,973)**	(67,909)	**(9,844)**	(13,059)	**(79,833)**	(64,980)

Note: EBITDA is defined as earnings before finance income, finance costs, income tax (charge)/credit, depreciation and amortisation. EBITDA is a non-HKFRS measure used by management for monitoring business performance. It may not be comparable to similar measures presented by other companies.

3. **Segment Information (Continued)**

	Garment manufacturing		Brands business		Unallocated *(Note (i))*		Total	
	As at 31 December 2018	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**801,906**	736,643	**803,795**	368,245	**446,091**	677,623	**2,051,792**	1,782,511
Reportable segment liabilities	**332,362**	284,738	**468,294**	105,814	**73,792**	98,871	**874,448**	489,423

	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Provision for)/reversal of impairment of receivables, net	**(472)**	768	**(497)**	21	**–**	–	**(969)**	789
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(13,612)**	(8,820)	**(16,251)**	8,520	**–**	–	**(29,863)**	(300)
Additions to non-current assets	**25,337**	14,110	**353,388**	13,066	**3,257**	940	**381,982**	28,116

The Group's revenue is mainly derived from customers located in the People's Republic of China (the "PRC"), the United States of America ("US"), the United Kingdom ("UK") and Canada, while the Group's production facilities, trademarks, licence rights and other assets are located predominantly in the PRC, Luxembourg and Thailand. The PRC includes the Mainland China, Hong Kong and Macau. An analysis of the Group's revenue by location of customers and an analysis of the Group's non-current assets by location of assets are as follows:

	PRC		US		UK		Canada		Other countries		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**355,118**	264,527	**558,463**	529,992	**685,227**	533,731	**396,203**	228,646	**583,311**	365,810	**2,578,322**	1,922,706

Included in revenue derived from the PRC was HK$250,243,000 (2017: HK$212,335,000) related to revenue generated in Hong Kong.

For the year ended 31 December 2018, revenue from three (2017: three) customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and they represented approximately 16%, 15% and 13% (2017: 18%, 15% and 11%) of the total revenue respectively.

3. Segment Information (Continued)

	PRC		Luxembourg		Thailand		Other countries		Total	
	As at 31 December 2018	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (ii))*	**630,541**	367,693	**175,919**	183,378	**70,467**	70,110	**63,257**	62,211	**940,184**	683,392

Included in non-current assets located in the PRC was HK$324,881,000 (2017: HK$9,546,000) related to assets located in Hong Kong.

Notes:

(i) Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings, land use rights and buildings for corporate purposes.

(ii) Non-current assets exclude deferred tax assets, defined benefit plan assets and foreign forward exchange contracts.

4. Revenue

The principal activities of the Group are (i) garment manufacturing, and (ii) brands business.

Revenue represents the fair value of the consideration received or receivable from products sold, excludes value added tax or other sales taxes and is after deduction of any trade discounts.

All revenue was recognised at point in time for the year ended 31 December 2018 and 2017.

5. Other Income and Other Gains

	2018	2017
	HK$'000	*HK$'000*
Consultancy and transitional services fee income from JW PRC Co *(Note (i))*	**–**	27,603
Government subsidies *(Note (ii))*	**1,120**	3,171
Net loss on disposals of property, plant and equipment	**(65)**	(1,908)
Sundry income	**2,375**	2,124
	3,430	30,990

Notes:

(i) Shanghai Tristate Enterprises Co., Ltd., a wholly-owned subsidiary of the Group, provided consultancy and transitional services to Jack Wolfskin Trading (Shanghai) Co., Ltd. ("JW PRC Co") after the early termination of the distribution licence for Jack Wolfskin products in the PRC starting from 27 March 2015 until December 2017.

(ii) The Group received HK$1,120,000 (2017: HK$3,171,000) government subsidies from the PRC government during the year ended 31 December 2018. There were no unfulfilled conditions and other contingencies attached to the receipts of these government subsidies. There is no assurance that the Group will continue to receive such government subsidies in the future.

6. Loss from Operations

Loss from operations is stated after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Amortisation of leasehold land and land use rights	**3,619**	3,504
Amortisation of intangible assets	**20,789**	6,172
Depreciation on property, plant and equipment	**57,624**	53,006
Provision for/(reversal of) impairment of receivables, net	**969**	(789)
Cost of inventories	**1,958,175**	1,500,872
Employee benefit expenses	**716,652**	640,147
Minimum operating lease payments in respect of land and buildings	**51,277**	33,381
Contingent operating lease payments in respect of buildings	**6,388**	554
Net exchange gain	**(4,987)**	(3,475)
Auditor's remuneration		
Audit services	**3,703**	3,340
Others	**751**	735

7. Finance Income/Finance Costs

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**3,467**	4,339
Imputed interest on long-term rental deposits	**107**	118
	3,574	4,457
Finance costs		
Interest on bank borrowings	**4,253**	2,826
Imputed interest on licence fees payable	**13,675**	1,484
	17,928	4,310

8. Income Tax (Charge)/Credit

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(6,654)**	(337)
Non-Hong Kong tax	**(3,176)**	(2,352)
Over-provisions of prior years	**36**	358
	(9,794)	(2,331)
Deferred tax	**799**	4,537
	(8,995)	2,206

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK$2,000,000 of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018–2019. Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 December 2018 is calculated in accordance with the two-tiered profits tax rate regime (2017: a single tax rate of 16.5% was applied).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

10. Loss Per Share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of the Company of HK$80,455,000 (2017: HK$64,180,000) by the weighted average number of 271,607,253 (2017: 271,607,253) shares in issue during the year.

(b) Diluted loss per share

Diluted loss 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.

During the years ended 31 December 2018 and 2017, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Hence, there was no dilutive effect on calculation of the diluted loss per share for the years ended 31 December 2018 and 2017.

11. Accounts Receivable and Bills Receivable

As of the end of the reporting period, the ageing of accounts receivable and bills receivable based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 3 months	**295,927**	259,220
3 months to 6 months	**1,682**	5,644
Over 6 months	**1,790**	1,764
	299,399	266,628
Less: Loss allowance	**(1,790)**	(1,764)
	297,609	264,864

The majority of accounts receivable are with customers having an appropriate credit history and are on open account. The Group grants its customers credit terms mainly ranging from 30 to 60 days. All of the accounts receivable and bills receivable are expected to be recovered within one year.

The carrying amounts of the accounts receivable and bills receivable approximate their fair values. The maximum exposure to credit risk is the fair value of the above receivables. The Group does not hold any collateral as security.

12. Accounts Payable and Bills Payable

As of the end of the reporting period, the ageing of accounts payable and bills payable based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 3 months	**147,661**	97,955
3 months to 6 months	**11,895**	2,669
Over 6 months	**6,623**	4,913
	166,179	105,537

The majority of payment terms with suppliers are within 60 days. All of the accounts payable and bills payable are expected to be settled within one year or are on demand.

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

13. Capital Commitments

The Group had no capital commitments as at 31 December 2018 and 2017.

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of the Group for the year ended 31 December 2018.

Overview

The Group's 2018 performance reflected our plan and dedication to investment in brands business with the support from our garment manufacturing business which provides steady profitability and cashflow to the Group.

For the financial year 2018, the Group recorded significant growth in revenue and returned to EBITDA profit of HK$26 million (2017: negative EBITDA of HK$5 million). This was contributed by the good performance of our garment manufacturing business and our own premium Italian sportswear brand C.P. Company; and offset by the investments in our other brands and the drop in consultancy fee income from Jack Wolfskin China business following the cessation of service in December 2017.

Despite reporting a positive EBITDA, the Group recorded an overall loss attributable to equity shareholders of HK$80 million (2017: HK$64 million) for the year ended 31 December 2018. The increase in reported loss is mainly caused by the increase recognition of brands licence right amortisation and imputed interest on licence fees payable totalling HK$30 million over 2017 pursuant to the accounting policy for the long term licences the Group contracted during the year.

Own Brands

In the year under review, our own brand C.P. Company continued to experience strong growth in revenue and began to have positive EBITDA contribution in 2018. Revenue increased by 70% over 2017. European wholesale continued to pose strong growth in particular in sales to Italy, the UK, Benelux, South Korea and France. UK and Italy remained the largest contributors accounted for over 50% of the C.P. Company revenue. Scandinavia, Russia and Eastern Europe also showed high demand and good growth potential.

Our ongoing global marketing campaign "#EyesOnTheCity" continued to develop a unique narrative that explores different urban scenarios and exceptional landscape in cities through the personal perspective of its customers. Since September 2017, C.P. Company featured eight chapters of video exploring the urban landscape and culture of Milan, Moscow, London, Tokyo, New York, Seoul, Brighton and Dublin through special C.P. Company fans. The program also invites our customer community to take a picture of their C.P. Company goggle jacket with their city as background and share their personal distinctive urban perspective on social channels. During the year, C.P. Company also worked on a number of collaborations, including the adidas Originals collaboration which paired the two brands on and off the football terraces. The C.P. Company by adidas Originals collection reworks an array of iconic pieces, including Originals' Samba sneaker and Beckenbauer track top and one of C.P. Company's goggle jacket transformed to adidas Explorer.

Our unique French concept premium ladies wear Cissonne achieved good traction in the China premium ladies fashion market. The brand gradually expanded through direct retailing in China major cities with increasing sell-through and customer loyalty. The brand has now three stores located in Shanghai Kerry Centre, Beijing Oriental Plaza and Beijing Sanlitun respectively.

Licensed Brands

During the year, we took major steps towards establishing a long-term and high potential brands business platform. In April 2018, we entered a long-term licence agreement to distribute Nautica products in Mainland China and Hong Kong following Nautica being acquired by Authentic Brands Group globally. We took over the existing franchisee network, direct retail shops and inventories from the former operator to continue the business operation. In June 2018, we signed another licence agreement with Authentic Brands Group for a leading American ski brand "Spyder" for the China, Hong Kong, Macau, and Taiwan markets.

For the Nautica business, we are pleased to sign the long-term licence agreement with this iconic, American lifestyle brand. As soon as we took over the brand in May 2018, we have been working on key areas including new product designs, deployment of management software and systems, new store concepts, advertising, social media etc. To complement franchised retail business, we have been rebuilding brand equity in Tier 1 markets through direct retail. At the year end of 2018, Nautica had 31 direct retail stores, predominantly in Shanghai, Beijing, and Hong Kong.

To better concentrate our resources on developing our long-term licensed active sports and lifestyle brands, we have decided to early terminate our licence agreement for the footwear brand ACBC and divest EFM, our urban apparel menswear brand. Accordingly, the Group recorded one-off expenses of HK$21 million including provisions for inventory, contracted shop leases and other costs in 2018 associated with the divestiture of the two brands.

Garment Manufacturing

Our garment manufacturing business had notable growth in revenue and profitability in 2018 with increased orders from key premium business customers and improved production efficiency. Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. Meanwhile, our Philippines, Vietnam and Myanmar factories allow us to stay competitive in cost to support "better business" for better tailoring products. We continue to maintain steady and long-term relationship with our existing customers and also have expanded our customer base. Our unique manufacturing system allows us to safeguard product quality, as well as meeting customers' stringent requirements on changes in product type and variations in quantity especially for fashion and complicated outerwear products. With our manufacturing system, our Panyu factory is capable of handling small quantities orders with high production efficiency. During the year, we also developed our Southeast Asian factories to manufacture outerwear products with positive response. All these measures helped to control rising factory costs and price pressure from our customers as well as handling various product types.

Financial Highlights

	Note	**2018**	2017	**Change**
Operating results (HK$ million)				
Revenue		**2,578**	1,923	+34%
Gross profit		**620**	422	+47%
EBITDA		**26**	(5)	+620%
Licence related amortisation and imputed interest				
Amortisation of licence rights	1	**(21)**	(3)	-600%
Imputed interest on licence fees payable	1	**(14)**	(1)	-1,300%
Other depreciation and amortisation		**(61)**	(60)	-2%
Loss attributable to equity shareholders		**(80)**	(64)	-25%
Segment results (HK$ million)				
Garment manufacturing segment EBITDA		**144**	50	+188%
Garment manufacturing segment profit after tax		**97**	16	+506%
Brands business segment EBITDA		**(120)**	(54)	-122%
Licence related amortisation and imputed interest				
Amortisation of licence rights	1	**(21)**	(3)	-600%
Imputed interest on licence fees payable	1	**(14)**	(1)	-1,300%
Brands business segment loss after tax		**(167)**	(68)	-146%
Financial position (HK$ million)				
Intangible assets	2	**492**	208	+137%
Current assets		**1,097**	1,086	+1%
Current liabilities		**507**	412	+23%
Licence fees payable	2	**311**	27	+1,052%
Cash and bank balances		**322**	513	-37%
Bank borrowings		**74**	99	-25%
Total equity		**1,177**	1,293	-9%
Cash flow and capital expenditure (HK$ million)				
Cash (used in)/generated from operations		**(113)**	107	-206%
Capital expenditure				
Property, plant and equipment		**(48)**	(28)	-71%
Key ratios				
Gross profit margin		**24.0%**	21.9%	+2.1pp
EBITDA margin		**1.0%**	(0.3%)	+1.3pp
Net loss margin attributable to equity shareholders		**(3.1%)**	(3.3%)	+0.2pp
Return on average equity (ROE)	3	**(6.5%)**	(5.1%)	-1.4pp

Notes:

1. Licence related amortisation and imputed interest on licence fees payable being non-cash items recognised in accordance with accounting policy for our long-term licences – Nautica and Spyder.

2. Increase in intangible assets mainly due to recognition of licence rights for Nautica and Spyder brands during the year and represents capitalisation of the minimum contractual obligation payable to brand licensors at the time of inception. The relating minimum contractual obligation payable to the licensor is recognised in licence fees payable.

3. ROE is calculated as loss attributable to equity shareholders over average total equity for the current and prior year.

Financial Review

For the year ended 31 December 2018, the Group recorded EBITDA profit of HK$26 million (2017: negative EBITDA of HK$5 million). This was contributed by the good performance of our garment manufacturing business and our own premium Italian sportswear brand C.P. Company; and offset by the drop in consultancy fee income from Jack Wolfskin China business following the end of service in December 2017, our investments in other brands including first year set up costs for Nautica and provisions for divesting ACBC and EFM.

Despite reporting a positive EBITDA, the Group recorded a loss attributable to equity shareholders of HK$80 million (2017: HK$64 million) for the year ended 31 December 2018. The increase in reported loss is mainly caused by the increase recognition of brands licence right amortisation and imputed interest on licence fees payable totalling HK$30 million over 2017 pursuant to the accounting policy for the long term licences the Group entered during the year.

Revenue

Total revenue of the Group for the year 2018 was HK$2,578 million (2017: HK$1,923 million), representing an increase of 34% as compared with the last year.

Revenue from the brands business was HK$420 million as compared with HK$225 million in 2017 The increase was due to strong growth of wholesale by C.P. Company in key European countries, especially for Italy and the UK; and the revenue contribution of Nautica from May this year.

Revenue from the garment manufacturing segment was HK$2,158 million as compared with HK$1,698 million in 2017. Revenue from premium business, which accounted for 71% (2017: 73%) of the segment revenue, increased by 23% as compared with last year. Such increase was due to strong order growth from key customers. Revenue from better business also increased by 38%, mainly from healthy growth of the competitively priced business despite we have reduced our capacity for certain categories from customers with challenging price or high credit risk. In general, sales of fashion and complicated outerwear products of our premium business shifted our peak production season to the second and third quarters while sales income are skewed towards Fall/Winter seasons.

Geographically, major markets of the Group are US and Canada, UK and the PRC, which accounted for 37% (2017: 39%), 27% (2017: 28%) and 14% (2017: 14%) of the Group's total revenue respectively.

The Group's business has been skewed towards the second half year mainly due to the seasonality effect in terms of higher quantity and unit selling price for Fall/Winter and holiday seasons shipment for both our garment manufacturing (in particular premium outerwear products) and brands business. The Group expects that the shift of a larger proportion of sales and earnings to the second half of the year will continue in future.

Gross Profit

During the year, the Group's overall gross profit was HK$620 million (2017: HK$422 million), representing a gross profit margin of 24.0% (2017: 21.9%). The increase in gross profit was mainly attributable to increased turnover from both brands business and garment manufacturing business. Gross profit margin of brands business decreased mainly due to first year operation of Nautica and inventory provisions for ACBC and EFM, despite improved margin for C.P. Company. Gross profit margin of the garment manufacturing business was higher than the previous year due to increase in sales from better margin premium business and improvement in production efficiency. The Group's overall gross profit margin increased due to the rise in revenue from the overall higher margin brands business.

Other Income and Other Gains

Other income and other gains in 2017 mainly included consultancy fees income for the Jack Wolfskin China business. No such income was recorded this year after the cessation of the service at the end of 2017.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly advertising and promotion, agency commission, shop and sample expenses. Selling and distribution expenses increased as compared to 2017 mainly due to inclusion of Nautica selling expenses from May this year and C.P. Company's increase in agency commission and marketing expenses in line with revenue growth.

General and Administrative Expenses

General and administrative expenses increased as compared with 2017 mainly due to the new Nautica business and in line with the growth of C.P. Company and garment manufacturing business.

Income Tax Expenses

Income tax expenses increased in this year mainly due to more profit from our garment manufacturing business.

Segment Results

Under brands business, C.P. Company has improved results in 2018. The segment loss of the brands business increased as compared with 2017 due to no consultancy fee income recorded from Jack Wolfskin China business in this year; our investments in other brands including the first-year set up costs and shop expenses for Nautica; increase recognition of licence right amortisation and imputed interest on licence fees payable for Nautica and Spyder; and one-off expenses for divesting ACBC and EFM of HK$21 million comprising provisions for inventory, lease contracts and other costs.

Segment profit of garment manufacturing business increased substantially in 2018 as compared with last year mainly due to the increased sales revenue from premium business, improved production efficiency and cost control.

There were no material acquisitions or disposals of subsidiaries or associated companies during the year and up to the date of this announcement. No significant events affecting the Group have occurred since 31 December 2018 and up to the date of this announcement.

Financial Resources and Liquidity

As at 31 December 2018, cash and bank balances amounted to HK$322 million (31 December 2017: HK$513 million) which mainly represented United States dollars ("US dollars") and Renminbi bank deposits. In 2018, the Group used more cash as compared with 2017. This is mainly caused by the followings:

- with our garment manufacturing business performing well heading into 2019, more inventories were purchased for the 2019 shipment as reported in the statement of financial position;

- in accordance with the payment schedule of Jack Wolfskin consultancy fees, in 2018 the Group received less cash than 2017 by HK$60 million;

- for the Nautica business from May this year, the Group incurred start-up costs, shop expenses and invested in working capital for the brand. In 2017, the Group received from the Nautica licensor transitional service fee and inventory consideration totaling HK$46 million after the previous licence expired in December 2016; and

- in this year, the Group spent more investment in shop and operating expenses in other brands.

The Group maintained sufficient banking facilities to support its business. Short-term bank borrowings of the Group amounted to HK$74 million as at 31 December 2018 (2017: HK$99 million). Such borrowings were mainly denominated in US dollars and bearing interest at fixed rates. The Group did not have long-term bank borrowings as at 31 December 2018 and 2017. As at 31 December 2018, bank deposits of HK$31 million was pledged to secure bank guarantee facilities granted to the Group (31 December 2017: Nil). Gearing ratio of the Group is calculated as net borrowings divided by total capital. Net borrowings are calculated as total bank borrowings less cash and bank balances, while total capital comprised total equity plus net borrowings. The Group did not have net borrowings as at 31 December 2018 and 2017, and accordingly, no information on gearing ratio as at that dates is provided.

Shareholders' equity at 31 December 2018 decreased mainly due to loss attributable to equity shareholders for the current year and exchange difference on translating the financial statements of subsidiaries in the PRC and Europe following the depreciation of the currencies during 2018.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi, Pound Sterling and Euro. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the year ended 31 December 2018, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollars denominated processing income for factories in the PRC and Pound Sterling and Japanese Yen sales receipts of a European subsidiary.

Contingent Liabilities and Capital Commitments

There were no material capital commitments or contingent liabilities as at 31 December 2018 which would require a substantial use of the Group's present cash resources or external funding.

Human Resources

The Group had about 9,860 employees as at 31 December 2018 (2017: 9,560). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance were also awarded discretionary bonuses and share options.

Outlook

The Group is dedicated to growing our brands business and at the same time continuing to strengthen our garment manufacturing business. Adding to our own brands, we are excited to have signed long-term licence agreements for two high potential international brands. This expands our brands portfolio and benefits us for the long-term. Strategically, we target to grow our own brands worldwide, with our licensed active sports and lifestyle brands to the premium retail market in Greater China.

C.P. Company, our major own brand, has year-on-year high double-digit growth in revenue since acquisition. Building on the heritage of C.P. Company's proprietary fabrics, garment dye and goggle jackets, we continue to strengthen our product range, innovation and design. We will continue to grow number of doors in existing key and growing the wholesale markets (Italy, the UK, Benelux, Korea, France, Eastern Europe). We will further expand into other countries in Europe as well as the North America and Asian markets. To complement the wholesale business, the brand will expand its direct retail at suitable locations. We will open our first flagship store in Milan in the first half 2019. Our global marketing campaign "#EyesOnTheCity" will continue to develop and communicate more storytelling around our customer community. The C.P. Company Bespoke Colour project will be rolled out to pay homage to its origins as a pioneer in garment dyeing, while at the same time celebrating the individuality of our customers. With its vast and accumulated know-how and experience, C.P. Company offers a custom-made dyeing service to our customers with any colour they wish. The finished garment will be dyed with a distinctive, unique, colour coded label and special edition chromatic lenses created exclusively and uniquely for our customers. The service is initially exclusively in limited numbers on one of the brand's most iconic pieces – the heavy fleece Goggle hoody and will be extended to a larger selection of C.P. Company styles.

For the Nautica business, we will leverage on our design and product development strengths as well as our many years of experience with the brand to introduce new collections and concepts at both online and offline retail. In 2019, we plan to expand our direct retail footprint through full-price stores, premium outlet stores and e-commerce. To support the business, in addition to full range mainline collection with seasonal concept, we are introducing the "Black Sail" collection with limited quantity, limited distribution and premium quality. Specialised systems are being set up for real time tracking of all key metrics and a consumer database for regular and targeted communication and sales activities. We have also formulated marketing initiatives and updated store concept to align with our brand positioning.

Our newly licensed active sports brand Spyder is new to the China market and we have worked closely with the licensor to register the relevant trademarks in China. We have developed plans and strategies on brand positioning, products and distribution channels. We plan to launch the brand from Spring/Summer 2019 season and open the first store in Beijing in the second quarter of 2019.

Cissonne will continue to grow direct to customer retail in China. With improving sell through in key cities and a favourite choice for influencers and celebrities in China, the brand will open a new store in Beijing in the second quarter of 2019. We will further increase the brand awareness through marketing and celebrity seeding.

Building on the good performance in 2018, we will continue to improve the performance of our garment manufacturing business in the coming year, which provides steady cashflow to the Group. We will maintain long-term relationship with our key customers and at the same time to develop new customers leveraging on our strength from sample development to managing bulk production. Our diversified production base allows us to serve our customers at different price range. To provide more flexibility to our customers, we have also expanded our supply chain in Southeast Asian countries. To control the rising factory costs, we will impose tight material utilisation control and continue to drive efficiency and enhance our competitiveness by applying our unique manufacturing system in our factories to guarantee quality consistency, high productivity and cost efficiency. With the US-China trade conflict, it will continue to cause uncertainty and challenges to the garment industry. We will closely monitor the development of the trade war though we are selling on a free on board origin basis. We believe our diversified production base could alleviate the pressure from the trade war in case it gets worse.

We are confident that our garment manufacturing business will maintain stable performance and continue to generate strong cash inflow to support the Group's business. C.P. Company is well positioned to further grow in revenue and profitability. In 2019, the Group will continue to invest and develop our long-term licensed brands Nautica and Spyder. We are confident that we are on the right track for the long-term sustainability and success of the Group.

Principal Risks and Uncertainties

The Group has an enterprise risk management mechanism in place to identify, evaluate and manage its exposure to risks. Management oversees the risks and implement robust business processes to mitigate the risks. Existing and emerging risks are identified, evaluated and tracked regularly by top management and reported to the Audit Committee.

Principal risks and uncertainties affecting the Group are outlined below:

External risks	Operational risks	Financial risks
Economic Slowdown	Increased Cost	Liquidity and Interest Rate
Business Partner's Change in Business Strategy	Environment & Social Responsibility	Foreign Exchange
Regulatory Risks		

The responses of the Group to the principal risks and uncertainties are set out below:

Nature of risk	Responses
External risks	
Economic Slowdown • The principal business activities of the Group are garment manufacturing and brands business with worldwide customers located in Europe, North America and Asia. The industries in which the Group operates are affected by the economic conditions and consumer spending behavior in these countries. • Global sustained economic slowdown may lead to reduced customer orders.	• Geographic spread of customers and multiple sales channels will mitigate localised economic risks. • Annual budget is approved by the Board. • Quarterly financial performance and forecast are reported to the Board. • Internal review between Business Unit Heads and Corporate Finance Team on the monthly financial performance. • Monthly rolling forecast review where annual budget will be compared with actual and forecast figures. Variance analysis to account for the difference between budget and actual figures. • Monthly meeting to review business, sales and marketing performance.
Business Partner's Change in Business Strategy • Garment manufacturing customer's strategy change in sourcing locations and competitive pricing may cause the Group to lose orders and revenue. • Change in market entry and licensing strategy by brand owners of our licensed brands has caused the Group to lose distribution rights in licensing branded products.	• Our factories are located in different countries and serve a wide range of products with different price levels. • The Group's ongoing strategy in developing brands business will help to mitigate the impact of loss of revenue in distributing branded products.
Regulatory Risks • The Group is increasingly subject to a broad and changing legal, tax, and regulatory requirements in the various jurisdictions the Group operates. New and changing policies or applications by governments may pose a risk to the Group's returns and/or subject the Group to legal challenge.	• The Group continually monitors changes in local government policies and legislation. • Ongoing long-term strategic reviews with assessment of market and country concentration.

Nature of risk	Responses
Operational risks	
Increased Cost	
• Increased cost will impact the profitability of our business.	• For our brands business, we have our own sourcing team with diversified supply network to handle product sourcing. • For garment manufacturing business, our Group effectively earns cut and make profit. Increased cost in fabric material has little impact to the Group. • Diversification of factories in various countries in Asia and production process improvements will help to offset the rise in wages and staff costs.
Environment & Social Responsibility	
• Failure to comply with applicable laws, regulations or standards related to environment and social responsibility may adversely impact our employees, lose production time and attract negative media attention and regulators' interest.	• Manage internal controls over our significant environmental aspects with aim to enhance the efficiency of resource use and reduce environmental emissions in our business operation. • Apply equal opportunities principles in all employment policies.
Financial risks	
Liquidity and Interest Rate	
• Cash and treasury management may not be operating effectively leading to liquidity risk.	• Closely monitor to ensure that the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy current and planned cash needs.
• Cashflows and profitability will be negatively impacted by the movement of interest rates on bank balances and bank borrowings.	• Closely monitor the movement of market interest rate and consider interest rate hedging when necessary.
Foreign Exchange	
• The Group has operations in the PRC, Europe, North America and Japan. It earns revenues, incurs costs and makes investments in various foreign currencies and is thus exposed to foreign exchange risk arising from various currency exposures.	• The Group manages significant foreign exchange risk against the respective subsidiaries' functional currencies arising from future commercial transactions, recognised assets, liabilities and net investment in foreign operations principally by means of forward foreign exchange contracts. Our hedging strategy may not be effective in reducing all exchange risks.
• The conversion of Renminbi receipts into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange in the PRC.	• The Group endeavours to maintain adequate and reasonable amount of Renminbi deposits in the PRC and remit surplus Renminbi out of the PRC.

Relationship With Business Partners and Stakeholders

Relationship with Customers

The Group maintains long-term relationships with customers of our garment manufacturing and branded products distribution business. The Group has developed multi-products strategy and also strengthened our scope of services to our global brands customers. The Group has no concentration or a high level of dependency on individual customer.

Relationship with Suppliers

The Group maintains long-term relationships with suppliers and subcontractors. The Group has no concentration or a high level of dependency on a small group of suppliers. The suppliers of our garment manufacturing business are generally nominated by customers. For suppliers of our branded business, we communicate with them all the way through for them to understand our policies and requirements.

Relationship with Employees

The Group recognises and supports the culture of attracting, motivating and retaining talents. The Group provides competitive compensation and benefits for its employees, Remuneration packages are generally structured by reference to market and individual merits. Salaries are normally reviewed on an annual basis based on individual performance and financial performance of the Group. Those employees with outstanding performance are also awarded discretionary bonuses and share options. The Group promotes open communications encourages continuous learning and support different kind of training on leadership development programme.

Compliance With Relevant Laws and Regulations

We uphold high standards and meet relevant requirements under applicable laws or ordinances when conducting our business. We did not identify non-compliance or breach of relevant standards, rules and regulations during the year.

Environmental and Social Policies

The Group is committed to creating a sustainable and greener environment and continues to explore ways to reduce carbon emission, conserve energy and reduce wastage. We have implemented various environmental and sustainability initiatives in our factories. Being a responsible social citizen, the Group has been committed to supporting various charitable events, including making donations in relation to education, disaster reliefs and for the less-privileged, in particular supporting local society needs where our group companies locate for the long term. Since 2015, the Company has been participating in the Caring Company Scheme and we collaborated with The Salvation Army on various charitable activities, such as fund raising and volunteer works. Please refer to the “Environmental, Social and Governance Report” set out in our 2018 Annual Report, which discusses in detail our initiatives on environmental and social aspects and their performance.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2018, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from code provisions A.2.1 and A.5.

Considered reasons for the deviation from code provisions A.2.1 and A.5 were set out in the Company's last published interim report for the six months ended 30 June 2018. 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 2018, which will be available for publication as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

PROPOSED FINAL DIVIDEND

No interim dividend was paid for the six months ended 30 June 2018 (2017: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 May 2019 to Monday, 3 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Monday, 3 June 2019 (the "2019 AGM"), 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 Monday, 27 May 2019.

ANNUAL GENERAL MEETING

The 2019 AGM 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, 3 June 2019. The notice of 2019 AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE'S REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements and the annual report of the Group for the year ended 31 December 2018 with 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, 25 March 2019

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 Mr. Peter TAN.